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THE

# BANKER'S MAGAZINE

AND

## STATISTICAL REGISTER.

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*"No expectation of forbearance or indulgence should be encouraged. Favor and benevolence are not the attributes of good banking. Strict justice and the rigid performance of contracts are its proper foundation."*

*"The revenue of the State is THE STATE; in effect, all depends upon it, whether for support or for reformation."*

*"Rightfully considered, no principle is more conservative than that which identifies the laborer with the capitalist."*

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VOLUME THIRTY-NINTH,

OR,

VOLUME NINETEENTH OF THE THIRD SERIES.

FROM JULY, 1884, TO JUNE, 1885, INCLUSIVE.

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WHEN WILL BUSINESS IMPROVE?

To answer this question in a satisfactory manner we must inquire why the business of the country is depressed. Only a short time ago it was bounding with prosperity, now it is sunk in the valley of despondency. What are the causes of this sudden change? It is not difficult to trace them. It is very generally acknowledged that business enterprises in many directions have gone beyond the immediate necessity for them. This is especially true of railroad construction. Hundreds of miles have been built for which there was no immediate need. Moreover, there has been an over-production in all the leading departments of industry. The modern facilities for production are so perfect that it is easy to produce most things that are needed on a stupendous scale. It was maintained by the older political economists that over-production was impossible. At some price or other every thing would find a buyer and consumer. But the error of this doctrine is clearly seen and admitted. No person needs more than a certain amount of food or clothing. No person can comfortably eat two dinners on the same day. If, therefore, a second dinner is cooked for him, either it is not eaten, or if it be, he is the worse for it. Consumption therefore is limited. Production must be governed by this limit or exceeded at an ever increasing loss.

There are persons who assert that if people were only to spend enough, business would be as brisk as ever. They anxiously inquire why do people at a time like this economize? Why do they spend less for dress, for living and in other ways? Why are they

less inclined to engage in new undertakings? Why has hopefulness given way to despondency? Why is there such a disinclination to push out into the unknown but tempting realm of business adventure? Is there any reason, say these inquirers, for this change in venturing?

In reply, it may be remarked that it is of the highest importance how every person spends his income. It is very true that all the capital of the world is used, and that it is spent over and over again. But it is of the highest importance how capital is spent. If, for example, A invests \$100,000 in the Northern Pacific Railroad enterprise, and no dividends are earned for many years, he has no income from that source to spend. That sum previously earned him an income which either he spent in further production, or in gratifying his tastes or pleasures, or loaned it to others who employed it in some manner. But now he has invested it in an enterprise from which there is no return. He has nothing therefore to spend from this source, whatever his inclination might be to spend if he had it. Suppose instead of investing it in that enterprise he had put it into one yielding an annual dividend of eight per cent. In the latter case he would have an income either to spend or to loan to others, which they would not borrow, of course, if they did not expect to spend it.

These illustrations, therefore, show very clearly that the importance of a profitable expenditure of capital can not be overrated. One reason why so many fall into error on this subject is because they regard money as the most important part of capital. If, therefore, money is used over and over again, and is very active, they seem to think it is a matter of small consequence how it is used, whether in building the Northern Pacific Railroad, or in a paying enterprise like the Pennsylvania system. It may be that the money is just as actively employed in building the Northern Pacific as in building another railroad that pays a handsome profit, and that the money consequently circulates just as rapidly in the one case as in the other. But the reader cannot fail to see that in the former case a certain amount of capital is locked up for an unknown time, gone into disuse; while in the other case it is an active agency in promoting production. Let us advance these two illustrations one stage further. The Northern Pacific is running. Men are busily employed all along the line. They may be paid good wages and receive them regularly. The same conditions exist on the Pennsylvania Railroad; but there is this marked difference between the two enterprises which must be kept in mind. One road yields no return to the investor, the other road does. Investors in the one case have nothing to spend from their investment; in the other they have.

What has happened to our country is this: a very large amount



of capital has been invested in non-paying enterprises, and so these investors are necessarily compelled to spend less and to loan less to others than before. They can not spend or loan what they do not have. The amount of capital invested in such enterprises since 1879 is enormous. It was inevitable, therefore, for a period of depression to follow such an excessive locking up of capital. It is true that every person having large means can invest a portion in enterprises not bringing any immediate return. What portion can be wisely set aside for this purpose must depend on many things. Each case must decide singly. Thousands of enterprises are undertaken by men of ample means who do not expect an immediate return, and the wisdom of which is justified by the final result. If every investor should look to immediate returns, of course many enterprises would never be attempted. Nevertheless, the fact is equally clear, that for several years past we have been expending too much capital in this manner. A few persons only could thus afford to invest, many who have done so could not, and consequently they are obliged to retrench. This, as we have said, was inevitable.

If this diagnosis be correct, those who are looking for a speedy return of prosperity will look in vain. It can not come until enterprises that have been launched so recklessly begin to pay. When they do, these investors will have more money, and, of course, will spend more. All efforts to galvanize business, to breathe into it an artificial life, will prove fruitless, for the reason that there can be no real improvement until the conditions before noted have been met. When this time shall come no one can foretell, but not soon we fear. Certainly no signs of improvement are seen, yet in a certain sense the country has improved steadily. Many of the recently launched enterprises if not paying are getting nearer to a paying condition. Like the ending of the depression that began in 1873, this also will pass away, noiselessly, and almost without observation. Those engaged in business will suddenly awake to a more prosperous day. The previous transformation was as silent as it was wonderful, and this is likely to occur in the same way. But we should not look for it speedily, not until the condition of things above described has been fulfilled. Not until the people have a larger spending power can they spend more, whatever their desire may be. Let us be cheered by thinking that with the growth of population and the settling and developing of the country, many enterprises are approaching more or less rapidly to a paying basis; and that thus the work of recuperation is going on, although the patient may still be unable to get out of bed.

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## THE MONETARY CIRCULATION.

During the year ending May 31 last, there was a decrease of \$17,039,072 in the amount of outstanding National bank notes, and an increase of \$573,733 in the amount of lawful money deposited in the United States Treasury for the redemption of the notes of failed, liquidating and reducing banks. The effective reduction of the bank-note circulation during the year was, therefore, \$17,612,805, which is about \$10,000,000 less than the addition made to the total currency by the silver dollar coinage. There was substantially no change in the amount of gold money (coin and bars), as the net export and consumption in the arts were just about balanced by the yield of our domestic mines. The volume of the greenbacks is by law a fixed and stationary quantity. Taking all the component elements of our monetary circulation together, the increase during the year may be computed at \$10,000,000, which is clearly a less increase than is required to sustain prices in a rapidly growing country like the United States. It is not agreed what the measure of the increase of money in such a country would and must be in order to maintain prices, but if we take as the measure the expansion of population, which is the smallest measure proposed by writers upon such subjects, the annual increase of money in the United States should now be about \$40,000,000. The actual increase of only \$10,000,000 during the year ending on the thirty-first of May was accompanied, as is universally recognized, by a distinctly marked, although not ruinously great, decline in the general range of prices.

Some persons suppose that it is always possible to maintain by our own laws and public measures a volume of currency sufficient to maintain steadiness of prices, and such persons naturally turn to the Government for monetary relief when the currency is found to be inadequate to sustain the activities of trade and industry. But the truth plainly is, that so long as we maintain our money at the metallic standard by the coin convertibility of the paper part of it, we remit the question of the total volume of it to the regulation of the foreign exchanges. At every given time there is only a certain range of prices in this country which is compatible with the equilibrium of our foreign trade, and an attempt to keep prices above that range by paper issues large enough to stimulate higher prices can have no other termination, and very speedily, than a suspension of specie payments. Under the metallic standard, therefore, we must accept the conclusions that neither the volume of our currency nor the general range of our prices is under our

own control, and that both must, in the main, follow the ebbs and flows of the commercial world. And there can be no question that, taking into view all the effects of the metallic standard, the judgment of the country is substantially unanimous that it is a better standard than anything which is likely to be substituted for it, and that its maintenance, during this generation at least, must be regarded as one of the fixed facts of the situation.

While it is true that prices in this country have fallen during the past year, it is also true that they are even now at quite as high, and perhaps higher range, relatively to foreign prices, as it is possible to maintain. Low as our markets are, Europeans are sending great quantities of merchandise here for sale. The balance of trade is against us, and unless prices rise in Europe or fall here this adverse balance will force further exportations of gold. Apparently there is nothing to raise them in Europe, unless it is paper issues, of which the only immediate possibility is the chance that there may be an outbreak of war or of revolutions, involving some of the great countries. That may happen any day, and, on the other hand, it may be postponed for years.

In respect to the immediate future of the volume of our own currency, it is in the first place substantially certain that the coinage of silver dollars, at the present rate of twenty-seven or twenty-eight millions annually will go on until the meeting of a new Congress in December, 1885, unless it is in the meantime superseded by an accord between opposing interests and opinions upon the basis of circulating certificates representing silver at its gold value. It is, in the next place, certain that, in the absence of new legislation by Congress, the bank-note circulation will continue to shrink, but probably not at a rate sensibly greater than its shrinkage during the past year. The calling of the threes is the main cause of the shrinkage, and it is not likely that as many threes will be called during the coming year as during the past year. There is much greater disposition among the banks than was expected last fall to supply themselves with other Government bonds in place of the called threes, and this has been lately favored by the fall in the market prices of the fours and four and a-halves. In respect to the volume of the greenbacks, no legislation affecting it will be seriously undertaken in the present Congress. In respect to our coined money, the silver will certainly, all of it, remain at home, where it is worth more than it is anywhere else. As to gold, it is very unlikely that there will be any net import of it for a year or two to come, and it may turn out that the foreign trade will continue in a course which will cause an export of it in excess of the production of our domestic mines.

## THE CUSTODY OF BANK RESERVES.

The law requires that the deposits in National banks shall be protected by a twenty-five-per-cent. reserve, but recent events raise the question whether a much greater proportion of this reserve should not be kept and remain unused in the vaults of the banks, than is now required to be so kept. At present, the country banks are permitted, as to a large part of their reserves, to keep it, not in the form of actual cash in their own possession, but in the form of credit balances on the books of other National banks in the reserve cities. As the country banks can and do arrange to receive interest on such balances, while they derive no income from cash lying unused in their vaults, they naturally hold the legally required reserves, as little in cash and as much in such balances, as they can consistently with the provisions of the banking acts.

In ordinary times, when things are running along smoothly, depositors in country banks are indifferent to the place of custody of their reserves. But in times of alarm and semi-panic, they are made uneasy by the reflection that the bulk of these reserves are merely claims on other banks in the reserve cities, and principally in New York City, exposed to some risk, not very great, of being lost by insolvency, but exposed to a very sensible risk of being locked up for a longer or shorter time by a suspension. This condition of things extends all over the country, a distrust which might otherwise have been confined to a single point. During the late events affecting the Marine, Second National, Metropolitan and other banks in New York, it is doubtful whether any National bank in the South and West escaped the suspicious enquiry whether it was not likely to be embarrassed by the loss, or locking up of its New York funds.

The present system has also an injurious effect upon the banks in the reserve cities, which hold large portions of the reserves of the country banks. The system dangerously increases the amount of their demand liabilities, which, from the prevailing modes of doing business, always tend to become too large. And of all their demand liabilities, there are none more liable to be suddenly called for than such liabilities to country banks, whose own credit will always be shaken when the public mind is agitated, and which will therefore be compelled to draw in all their resources.

It is not probable that the city banks, holding the funds of country banks, make any considerable profit out of them. The competition for those funds carries the rate of interest paid for their use fully up to, and in many cases beyond what their use is

worth. And the necessity which the city banks are under to be as well prepared as possible to return the funds on demand, compels them to invest much more largely than they otherwise would in call loans secured by stock collaterals. Any market in which such loans are a conspicuous feature is in a position exposed to disasters. Although it is true, that if made with prudence and care, as most of them are, they are safe loans for the lenders and more promptly collectable than the general mass of loans, it is at the same time true that their collection cannot be enforced without the sacrifice of borrowers and a breaking down of the prices of stocks.

Other causes for financial fluctuations are numerous enough and efficient enough, without adding to them this feature of permitting country banks to weaken themselves by changing their reserves from real money in their own keeping into credits on the books of city banks, which latter cannot afford to hold them in the shape of money, but must loan them on call, or at short dates, and on conditions unfavorable to steadiness, either in the money market, or in general business, or in the prices of financial stocks.

In England it is admitted on all hands to be a source of danger, that the London banks and bankers keep all their reserves in the bank of England, the small amount of cash in their own vaults being commonly spoken of as merely "till money." It has thus come to pass that Great Britain has really but one central reserve behind all its vast financial transactions, and that is the relatively small amount of cash in the Bank of England. The English are slow to make changes, but there is an entire accord among prudent and thoughtful persons in that country, that it would be a great gain to the safety of business and finance if the banks and bankers of the metropolis kept more of their reserves in their own hands.

A proposition to compel the country banks in the United States to keep in their own vaults the whole of their legally required reserves would not be acceptable, and would introduce a change too great to be made suddenly. But a proposition to compel them to retain a considerably greater proportion of their reserves than they now do, perhaps as much as four-fifths, may come to be regarded, after a full discussion of the subject by bankers, as a measure so essential to the stability of the National banking system as to induce a willing sacrifice by the country banks of the not very important profit which they realize under the present system. It is to be hoped that at the approaching session at Saratoga of the Association of Bankers, this question will be examined and elucidated by the experienced financiers who will then be brought together for consultation.

SENEX.

## MEN AND METHODS IN BANKING.

The recent bank failures teach one very impressive lesson, namely, that a bank president who is chief bank manager should be engaged in no outside interest of any considerable importance. Men should be chosen who not only understand the details of banking, but who regard the success of their institution as the chief end of their toil. Of course there are many bank presidents who are such only in name, and whose manner of service was well understood at the time of their election. They often have a large pecuniary interest in the bank, and it is not expected that much of their time will be devoted to it. But a bank manager, whatever may be his official title, is elected with the expectation that he will devote his best energies to the business. If in the course of his career his energy should become divided, and an outside interest should absorb a considerable portion of it, nothing is clearer than he should be asked to resign his official connection with the bank. These men, by reason of their official connection with the bank and their ability to control capital, are often solicited to engage in other enterprises. The consequence is a division of their energies, and at last the bank sometimes becomes a secondary thing with them. It is used simply as a means for aiding the other enterprise in which the bank manager has a larger interest. Whenever a change of this kind occurs he is a dangerous man for a bank to retain; either through neglect or misconduct the bank may suffer. He ought to be regarded as not above all temptations; not entirely dispossessed of the desire for money-making. On the other hand, as all know, these managers are mortal, are quite as fond of money and of acquiring fortunes as other persons, and therefore when an opportunity is presented to make a fortune outside the bank they improve it. The baneful result is before us in the failures which have recently happened.

When it becomes apparent that a manager is thus largely engaged in outside affairs, the directors have one very plain duty to perform: his resignation should be demanded at the earliest moment. He should be made to feel at all times that while he is free to engage in outside enterprises as largely as he pleases, he can not do so and at the same time retain his official connection with the bank. A division of energy of this kind should be regarded as incompatible with wise and vigilant banking. Just now the newspapers are teeming with advice and instruction to bank officers, concerning the best ways of loaning money, but all this advice and instruction are worth little compared with the importance of requiring the highest ability and fidelity of bank managers. If they

are faithful to their trusts they will loan the resources of their banks as best they can, and if losses happen they will not be blamed for them. But if persons are conducting any of our banks, who desire to use them for promoting outside schemes, no rules however sound or founded on the largest experience, will be followed by them. Nothing is clearer than that the best rules are set aside by incompetent or unworthy men whenever the occasion for so doing arises. Not better rules but better men are wanted to conduct banking institutions. These will be had if they shall clearly understand that the management of outside affairs is incompatible with their position as bank managers. This is the lesson which these failures have for us, and bank directors and stockholders should not be slow in heeding it.

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### TAXATION OF PERSONAL PROPERTY.

A special grand jury has recently rendered a report on the finances of New York City. It is the outcome of an investigation concerning the coupon fraud perpetrated several months ago. A fine opportunity was presented for investigating the evils of the system of finance prevailing in that city, which, unfortunately, was not improved. To have presented a remedy might have been outside their province, but the way was clear to investigate thoroughly the ways and methods by which the finances are conducted. A great deal of valuable information might have been obtained by an investigation of this kind. We must wait perhaps a long time before this is done.

There is one point in the report worth consideration here, namely, the taxation of personal property. The grand jury declare that the taxation of it in this city should be abolished, for the reason that as "the laws stand no one who has the control of his own investments need be liable to taxation on personal estate, and the result is that a very large proportion of the tax falls on widows, orphans and other beneficiaries under wills and trusts prescribing investment in bonds and mortgages, the property mortgaged also paying its full share of taxation. The most judicious and practical policy would appear to be to abolish wholly the taxation of personal estate of individuals, making up the loss in part by taxation of franchises and other privileges of corporations. Some plan should be adopted for canceling the large amount of uncollectable arrears of personal taxes. They are practically worthless, and to keep them on the books as an asset is delusive."

Though these recommendations contain nothing new, they cannot be reiterated too often. Again and again has it been shown that



the taxation of personal property works serious injustice. Those who wish to evade the payment of their taxes can easily find a way to do so. No law requiring them has ever been effectively enforced. The widows and orphans and trustees and the more helpless classes of the community pay, while those having larger properties and who are the best able to bear taxation escape. Nothing is easier than for those who are intent on defrauding the State in this particular to accomplish their purpose. Although a vast amount of personal property exists in this city, only a very small portion is ever revealed to the assessor. This fact clearly shows how inadequate is the present tax system to meet the case. The grossest inequality, therefore, must be practised so long as this system prevails. It is far worse than a tax levied on incomes, the chief objection to which was, that persons made false returns to the Government. Yet no one doubts that fairer returns were made than are received by the assessors of New York City from the owners of personal property.

The right thing to do is to cease taxing all evidences of property. The rule should be observed of taxing visible, actual, tangible property, and not the evidences thereof. The actual property can be seen and handled. It cannot be locked up in a safe, or readily removed, or spirited away. If a tax, therefore, be laid on that, it can be collected. Evasion is impossible, except by collusion with public officials.

The grand jury say, that the loss by the abolition of the tax on personal property can be made up by taxing franchises and other privileges of corporations. This is a good suggestion. Corporations are visible. The amount of their business can be ascertained. They are subject to public supervision. If a tax be laid on them it can be collected. Moreover, the taxation of corporations would be practically the taxation of a great proportion of the personal property which the law now vainly endeavors to reach. Take a railroad company, for example. The stocks and bonds issued are the evidences of the property of the company, or the rights to the same. At present, most of the States endeavor to tax the bonds and stocks issued, which can be easily hidden away, or transferred, or put beyond the reach of the taxing power. But the corporation itself cannot be hidden so easily. In ascertaining the tax which should be imposed, the value of the stocks and bonds issued may be properly regarded as proof of the value of the property, and the tax may be levied accordingly. When, therefore, it is practical to tax the actual thing fairly and equitably, why should the State still continue the barbarous system of taxing the evidences of that property, which it is certain cannot be taxed fairly and equitably? Why should an inequitable and unjust system be continued, when the way is clear for establishing a better one?

## EARLY NEW YORK BANKING.

The oldest banking institution in New York City commemorated its hundredth anniversary on the ninth day of June. The directors have just published its history. The volume is interesting, and the occasion is a fitting one to present this record to the world.

The bank was founded in 1784, the year after the close of the revolutionary war. Its constitution was framed by Alexander Hamilton, the greatest name in American finance, and who was a member of the first board of directors.

When the bank was organized, the financial condition of the country was in a very unsatisfactory condition. The bank of North America existed in Philadelphia, and this had played a useful part in the financial history of the time. It had issued a paper money, which, circulating with some difficulty in the beginning, was afterward readily taken; nor was its value ever subsequently doubted. The reason why its notes were taken with hesitation in the beginning was, because the Continental Congress and the several States had deluged the land with a paper money that had become worthless. The people, therefore, had reasons for distrusting the first issues of the bank. Robert Morris, who projected it (though it may in truth be said that Hamilton was the real author of the bank) by his own personal credit and integrity, was able to strengthen the faith of the people to such an extent that its bills went into circulation. When the Bank of New York was established, all doubts concerning the genuineness of the Bank of North America issues had passed away. Hamilton and his associates, therefore, could confidently look forward to the success of their enterprise.

One of the remarkable contrasts in the history of banking is, the value of the privilege of bank note issuing then and now. When the Bank of New York was established, the peculiar gains of the business were to come largely from the issue of notes. The capital invested would yield no greater interest to the stockholders than it would if employed in other ways. The banks generally throughout the country for many years looked to this source mainly for their gains. As our country has increased in wealth, bank deposits have enormously enlarged, and the chief gains from banking no longer come from circulating notes, but from the employment of deposits. One would hardly have imagined a change so extraordinary within a hundred years.

It is interesting to read that the newly elected officers were not

familiar with the methods of banking, and that the cashier was empowered to go to Philadelphia with a letter of introduction from Hamilton to procure the desired information from the Bank of North America. That institution had been going long enough to furnish some valuable "points" pertaining to the conduct of the business.

The bank prospered from the beginning. New York at that time was something of a town, containing over twenty thousand inhabitants. It was the second city in the country, Philadelphia having twice that number. There was considerable opposition to the bank, and the directors were charged with working in the interest of the British capitalists and traders. The bank was somewhat unpopular because it enforced the payment of its obligations when they matured. We can hardly imagine what the people would have thought had the bank had put over its doors the motto on the cover of the *BANKER'S MAGAZINE*, the soundness of which no banker ever questions. But it was then declared that the bank had destroyed private credit, and also the confidence, forbearance and compassion, formerly shown by creditors to their debtors. Some of the critics of the day greatly feared that these institutions would multiply, after the profits they earned were well known, unless their number was restricted by law. "We may not alone have one in every State," said they, "but also in every county of the different States." This prophesy, bold as it seemed to be, was not half bold enough.

Having been established, of course, it sought to keep rivals out of the field. This was natural. The stockholders had a good thing, and they wished to retain it. Not long before, the citizens of Philadelphia, having learned that the Bank of North America was a profitable enterprise, sought to establish a rival institution. The controversy in that State was very bitter. The directors of the old concern were stoutly opposed to the new scheme, and prophesied direful consequences if two banks attempted to transact business in Philadelphia in opposition to each other. "Two shops to go to" was the phrase of the day. The excitement ran high. The assembly of Pennsylvania "was plagued with long arguments on both sides," but "all at once the thing was hushed up and accommodated." The directors of the bank consented to increase the capital from \$400,000 to \$2,000,000, and to permit the projectors of the new enterprise to become stockholders in the other. That was the way in which opposition to the Bank of North America was silenced.

Hamilton viewed, with considerable alarm, the movement for establishing a rival bank in his own city. In a letter he says:

"I have learned with infinite pain the circumstance of a new bank having started up in your city. Its effects cannot but be in

every way pernicious. These extravagant sallies of speculation do injury to the Government and to the whole system of public credit by disgusting all sober citizens and giving a wild air to everything. 'Tis impossible but that three great banks in one city must raise such a mass of artificial credit as must endanger every one of them and do harm in every view. I sincerely hope that the Bank of New York will listen to no coalition with this newly engendered monster; a better alliance, I am strongly persuaded, will be brought about for it, and the joint force of two solid institutions (the Bank of New York and the branch of the Bank of the United States) will without effort or violence remove the excrescence which has just appeared, and which I consider as a dangerous tumor in your political and commercial economy."

How the rival bank was started is familiar history. It was the work of Aaron Burr. In the summer of 1798, when the yellow fever prevailed, he sought to impress on the people the necessity of improving their sanitary arrangements. More water especially was needed. A petition was presented to the legislature asking for a charter to authorize a company to introduce pure water into the City of New York. The capital was \$2,000,000. As this sum might not be entirely required for the purpose indicated, a very innocent clause was inserted, that "the surplus capital might be employed in the purchase of public or others stocks, or in any other monied transactions not inconsistent with the laws and constitutional with the State of New York." It was called the Manhattan Company. The charter was granted, without the slightest suspicion on the part of the majority who voted for it, that the clause quoted granted banking privileges. It was not the first time that legislators have been deceived, and from all that can be learned the day of deception is not entirely over. The mouse was soon discovered, however, for the company gave notice in the autumn of the year in which the charter was granted that banking operations would begin, a capital of \$500,000 having been subscribed. The Directors of the New York Bank, enraged at the conduct of their rival, determined at first to receive no notes issued by the Manhattan Company, but afterward their feelings cooled and a different policy prevailed.

There is another interesting event in the history of the bank worth mentioning, its course with respect to receiving the depreciated paper money issued by the State in 1786. The people had had enough of paper issues, and were unwilling to take any more. But that issued by the State was circulated to a considerable extent, and the bank was obliged to act in some way with regard to it. "The directors decided to open accounts and make discounts and payments in this currency, distinct from those in specie or the bills of the bank. This was continued for several years, and to facilitate the arrangement discounts were done in paper on Tuesdays and in specie on Thursdays."

The freedom with which banks may now be established in every part of the country is one of the marks of our progress. A great deal is said concerning the growth of monopolies and of their power, but after all may we not believe that wealth is more generally diffused than it was a hundred years ago; that a high order of business ability is more general; that business is conducted with less secrecy than in the olden time; that the telegraph, the steam-car, the steamboat and other agencies place men more nearly on the same level in gaining a livelihood and in keeping even in the race; that the newspaper, notwithstanding its evil-working, does much to expose evil doings, by visiting men with a punishment more severe than that which can be inflicted by any court, and consequently that society has made very solid gains since Hamilton's day.

The Bank of New York has never passed its dividend since 1837, when it was obliged to do so by law. During the one hundred years of its existence, 910½ per cent. has been paid to its stockholders. This certainly is a splendid pecuniary outcome of the enterprise. The ownership of the stock is peculiarly interesting. The number of shares is 20,000, owned as follows:

235 women.....	own 6,549 shares.
204 men.....	" 9,945 "
56 trustees.....	" 2,970 "
12 charitable associations.....	" 536 "
567 stockholders.....	" 20,000 "

The author of the work we are noticing, Mr. Domett, closes with the following remarks, which are as true as they are appropriate. "Those who are now or who have been associated with it may take a just pride in the position it has maintained through the changes of a century. It has survived the trials that have proved too severe for many other corporations, while the city whose name it bears has risen from a position of secondary importance to the rank of the chief city of the United States. And it can justly be said that of all the institutions of this kind that have grown up with it, none has more faithfully discharged its duty to the public, to the Government, and to its stockholders, than the Bank of New York."

COTTON SPINDLES IN THE UNITED STATES.—The total increase of cotton spindles in this country during the past year was 660,000, making the present aggregate 12,660,000 spindles, of which 11,375,000 are in the North, and 680,000 in the South. The increase in the past three years has been 1,125,000 spindles, of which 1,035,000 has been in the North, and 250,000 in the South. The increase of spindles would not have been beyond the increased demand of the country had it not been for two facts: first, that the short crop of 1881 crippled the purchasing power of the people and diminished their consumption; and second, that the over production in Europe caused large quantities of goods to be forced into our own and other markets at very low prices.—*Lewiston Journal*.

## THE PUBLIC FINANCES.

The surplus revenue of the United States, or, what is the same thing, the decrease in the net debt, was \$4,763,241 in May, and \$91,823,714 during the eleven months ending with May. For the fiscal year ending June 30 it may be estimated in round numbers at \$100,000,000, which happens to be the precise amount of the reduction of taxes upon which a great many persons are vehemently insisting. Such a reduction would, of course, amount to the absolute stoppage of the liquidation of the public debt, including the abandonment of the sinking fund. If the partisans of the repeal of the taxes on whiskey, tobacco and beer could have their way, the present debt would not only be indefinitely perpetuated, after the European fashion, but would be increased at something like the rate of \$20,000,000 annually.

The following table shows the receipts and expenditures during the eleven months ending with May, 1884, as compared with the eleven months ending with May, 1883:

<i>Receipts from</i>		1884.	1883.
Customs.....	\$ 180,866,145	....	\$ 192,932,366
Inland revenue.....	111,900,337	....	133,710,993
Miscellaneous.....	28,468,164	....	36,728,054
<b>Total.....</b>	<b>\$ 321,234,646</b>	<b>....</b>	<b>\$ 363,371,413</b>
<i>Expenditures.</i>		1884.	1883.
Ordinary.....	\$ 125,196,308	....	\$ 129,265,478
Pensions.....	52,774,149	....	65,045,735
Interest.....	51,727,833	....	56,335,977
<b>Total.....</b>	<b>\$ 229,698,290</b>	<b>....</b>	<b>\$ 250,647,190</b>

On this comparison the surplus for the eleven months ending with last May is \$91,536,356, which is less by \$21,187,867 than it was during the eleven months ending with May, 1883. The falling off in receipts is slightly more than forty-two millions, but the expenditures have fallen off about twenty-one millions, the falling off in the pension payments alone being rather more than twelve millions.

As to the fiscal year beginning July 1, 1884, it is probable that the internal revenue will be as large as during the preceding year, inasmuch as the extra monthly receipts from the whiskey compelled to be taken out of bond will continue until about March 1, 1885. The customs revenue will certainly fall off, and may fall off largely. The importations have been in excess of exportations since the end of February, and things cannot continue in that course a great while. The normal condition of our foreign merchandise trade requires a balance in our favor to meet the drain

of interest on what we owe abroad and to supply the heavy expenditures of American travelers in Europe. As the present adverse balance is not likely to be changed by an increase of exports, inasmuch as the foreign demand for our agricultural staples is languid and at low prices, the balance must be changed by reducing imports, and that means a decline in the tariff revenue. It is impossible to keep up an adverse balance for any length of time on the basis of exporting gold, and improbable that it can be done on the basis of exporting securities or railroad stocks. Europeans do not want such stocks, and as to sound American securities, they will not go abroad, because the market for them is now, and always will be hereafter, higher at home than anywhere else. Assuming that duties remain the same, it seems to us as certain as anything future can be, that the tariff revenue will steadily dwindle for several years to come. Domestic production tends more and more to keep foreign products out of our markets. Whether that is liked or disliked, it must be recognized as a fixed fact.

During the fiscal year beginning with the present month the aggregate expenditure must be greater than during the fiscal year just closed. There will be a reduction in the interest of the public debt, but that will be small. The pension payments will certainly be larger under the legislation, past and prospective, of the present Congress, and they may be a good deal larger. The ordinary expenditures are more likely to increase than to diminish. There is pretty clearly a tendency to embark in what is called the policy of building a new navy, in which any number of millions of dollars can be easily and quickly thrown away, with nothing to show for them but a few ironclads, which will be useless in a very short time by being superseded by new and improved models. But, unwise as it is, the clamor for a new navy is a very strong one, and we must reckon with it as one of the facts of the situation.

Of extraordinary expenditures there are several in prospect. One of them is \$10,000,000 for the Alabama claims, and another is an annual outlay of something like that amount for education, under the policy already sanctioned by the Senate in the passage of Mr. Blair's bill by a decisive majority, and which in some form is understood to be sure of a passage by the House.

The truth really is, that if tariff and internal taxes remain as they are now, it will not be an easy matter to pay off before 1891 the \$225,000,000 of uncalled threes which are subject to call. Perhaps a third of that may be paid off during the fiscal year which has just begun, but after that the process of payment will be a very slow one. The tariff revenue will have then sunk to a low point, and the internal revenue will no longer be kept up by extra payments of whiskey taxes.

But there is no guarantee that the revenues will not be cut down by legislation. It is reported from Washington that a majority of the House is ready to vote any day for the total repeal of the tobacco tax, and of the taxes on fruit brandy and on whiskey used in the arts, and that action of that kind has only been staved off so far by parliamentary rules and obstacles. But it must be concluded that the majority will finally have its way. Those who suppose that such legislation would be arrested in the Senate reckon without their host. The President would be prompt to approve it, having already recommended it.

The available cash balance at the end of May, in the Treasury, was \$147,817,660, which is about nine millions in excess of what the present Secretary and his predecessors have treated as the proper balance to be kept as the forty-per-cent. reserve for the redemption of the greenbacks. Of the two calls for bonds of \$10,000,000 each, maturing on the 20th and 30th of June, the payment of two millions had been anticipated during May, leaving \$18,000,000 to be provided for. With the nine millions of surplus balance on hand, and the surplus balance expected to accrue during June, the Treasury is manifestly in a good condition to take care of the called bonds.

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### FINANCIAL FACTS AND OPINIONS.

The estimates of the production of the precious metals in the United States during the calendar year 1883, as now completed and published by the Director of the Mint, show a yield of \$30,000,000 of gold and \$46,200,000 of silver, being a decline of \$2,500,000 in gold and \$600,000 in silver as compared with 1882. Of the decline in gold, four-fifths, or \$2,000,000, was in California, and was mainly the result of the decisions of the courts in the suits brought against the hydraulic mining companies by the farmers whose lands were injured by the great amount of earth washed into the streams. Where the profits of hydraulic companies are large enough to admit of it, it may be anticipated that they will make compromises with the farming interest so as to continue their operations. The aggregate gold and silver production of Colorado is \$21,470,000, being larger than that of any other State, and showing an increase, as compared with 1882, of \$1,500,000 equally divided between the two metals. The next largest production of silver was \$6,000,000 in Montana. Following next to Montana in the yield of silver are Utah, Nevada and Arizona, each of them producing upwards of \$5,000,000. The gold production of Alaska was \$300,000 in 1883, and now promises to become much more



considerable. In the estimates of the silver production the silver is computed at the coining rate at our Mints. Its gold value would be about fifteen per cent. less; and as it is only that value which the miners receive, the value of the silver production is not \$46,200,000, but \$39,270,000.

The Director of the Mint prints tables showing a fall in the prices in 1883 in this country of the leading commodities, compared with the prices of 1882. The same fact of declining prices is shown in all accounts received from Europe, and it is beyond doubt the most conspicuous and important fact in the situation throughout the commercial world. As there is no agreement as to the cause or causes of the fact, there is and can be none as to how long the decline in prices will continue, or to what extent it will go.

The Director of the Mint has continued and extended his valuable and well-directed investigations of the amount of gold and silver annually consumed in the arts in this country, and finds it to have been during 1883 rather more than \$19,000,000, of which rather more than \$14,000,000 was gold. This is \$2,000,000 more of gold consumption than he has ever before reported, and means about \$13,000,000 of new gold used in the arts, after deducting \$1,000,000 of old jewelry and plate re-worked. If this is correct, only \$17,000,000 of the \$30,000,000 of gold produced in 1883 would be left for monetary use. The use of silver in the arts in 1883 does not seem to have increased. No such careful and extensive enquiry into the amount of gold and silver going into the arts has been made in any country as Judge Burchard has made in the United States, and in many countries the estimates are nothing more than random guesses. And yet it is difficult to think of any branch of statistics which is of more importance and interest to mankind.

Lake freights are lower than ever before known, and grain is carried from Chicago to Buffalo, and thence by canal to New York City, at five cents per bushel for corn and five and three-eighths cents for wheat, or rather less than ten cents per 100 pounds, which, it is supposed, will keep railroad grain freights from Chicago to New York down to fifteen cents per 100 pounds.

From May 3 to June 14, which dates include and cover the period of alarm and semi-panic which followed the Grant, Ward & Co. collapse, and the bank failures connected with it, the New York Clearing-house banks contracted their loans \$47,107,600, and lost \$52,103,700 of their deposits.

The practice of call loans which exists on a great scale in this city, as between individuals, and as between banks and individuals, clearly tends to intensify the mischiefs arising from sudden pinches in the money market and from the frequent recurrence of periods of depression and distrust. The practice is too firmly established to be broken up, but it may possibly be checked and discouraged by

calling attention to the dangers which accompany it. What recommends it to borrowers is the fact, that they can obtain call loans at cheaper rates than time loans. The advantage of that is direct, obvious and immediate. The loan may be called at an inconvenient time, and the securities which protect the loan may be thrown on a ruinously depressed market, but that is a contingency only and may never occur, and the apprehension of it exerts very little restraining power.

In the case of banks, it is an unavoidable part of their regular business to take the risks of being debtors subject to call, by receiving deposits which are subject to be checked out at the will of the depositors. In ordinary times, no harm results from it; but in extraordinary times, such as occurred in May, when the credit of the most carefully managed institutions was liable to be destroyed by false rumors, it exposed the banks of this city to dangers which they were obliged to ward off by a plan of holding the resources of all the banks in readiness to protect any particular bank which might be assailed. Nobody will propose that the practice of receiving demand deposits, which is an essential part of modern banking, should be given up, but the practice of increasing the amount of such deposits, by allowing interest on them, is not justified by any necessity, and is full of dangers. In England, where the latter practice prevails much more than it does here, it is regarded by thoughtful persons as one of the most efficient of the causes of the monetary crises for which that country is distinguished. Among the National banks in the United States, the allowance of interest on demand deposits is not extensive, and is confined to exceptional cases, but the peculiar relations and duties of those institutions to the business, and especially to the currency of the country, seem to render it desirable that the practice of allowing such interest should be discontinued entirely.

The *Financial Chronicle* publishes a table of the gross earnings of fifty-five of the principal railroads in this country, in May, showing an increase of 3.15 per cent., as compared with May, 1883. The mileage of these roads had increased during the year from 38,784 to 42,568 miles, or 9.75 per cent. The decrease of earnings per mile is probably attributable more to a reduction of rates than to a reduction of business.

In the foreign trade of the country (exclusive of coin and bullion) there was an adverse balance in March of \$5,052,306, and in April of \$4,278,968, making a total of \$9,321,304. But the exports of gold in April was about \$18,000,000, and taking the two months together and including the movement of both gold and silver, the balance in favor of the country was about \$20,000,000. This would indicate that there was no buying abroad of American stocks and securities in excess of the amount sold back to us by foreigners.

A city commercial journal of June 14, which reports the distribution of general merchandise in all parts of the country to be proceeding languidly, and at prices not only very low, but still falling, finds consolation in the following view of the immediate future:

It is now evident, that from August 1 on to the close of the year, owing to delayed trade, a heavy business will be transacted which will stimulate prices.

Low as prices are now in this country, they are higher than they are abroad, as is shown by the excess of our imports over our exports. If there is such a stimulation of prices here as our contemporary considers to be near at hand, the result must be such a still greater increase of imports as will carry off our gold by the millions. There is no escape from that, unless prices rise abroad, of which there is no sign. It is hardly correct to say that trade has been "delayed," in the sense of being voluntarily postponed. It has been shrunk by the diminishing means of the great agricultural regions to make purchases, in consequence of the fall in the prices of the products they sell. Merchants who import largely, and manufacturers who produce largely in the expectation of brisk and higher markets in the autumn, are destined, we fear, to a great disappointment. Instead of encouraging great expectations, the aspects of the times enjoin the utmost caution and prudence.

On the twenty-eighth of May the city of Baltimore sold \$95,000 of fours, payable in 1920 at premiums ranging from ten to twelve and nine-sixteenths, and \$200,000 of 3.65s. payable in 1900 at premiums ranging from one-half to one and twenty-three one-hundredths. These are low borrowing rates as compared with those to which we have been heretofore accustomed in this country, but nevertheless we think that even in this Baltimore case it is the purchasers who have the best end of the bargain. We doubt if that, or any other American municipality is engaged in any business, from the profits of which it can pay three and a-half or even three per cent. interest.

Some months ago the Canadian tolls on grain passing through the Welland Canal were reduced from twenty cents to ten cents per ton, and with the further provision that grain which had paid Welland Canal tolls might pass toll free through the St. Lawrence Canals. In the early part of last month the toll of fifteen cents per ton upon grain passing through the last-named canals was reduced one half, and it is also stated that the Canadian transportation and elevator companies have also reduced their charges. With the competition, certain to continue, between the Erie Canal and the St. Lawrence routes to the ocean, the grain growers of Manitoba and of our own West have good prospects of moving their crops to Europe at rates really below the cost of moving them, inasmuch as the use of the necessary canals is likely to be substantially gratuitous. The

ocean freights on grain to Europe are now principally paid by the immigrants from Europe to America. The human freight on the great steamships coming here from Europe pays for the voyage both ways, and grain is carried back by them for next to nothing, and in some cases for absolutely nothing. Under all the circumstances, rapid work will be made in wearing out the natural fertility of the soil of the interior of the American continent, and making a free gift of it to European consumers of American wheat and corn. No country ever did or will become rich by shipping bread to foreigners. The great aim of American statesmanship should be such a diversification of industries as will provide consumers at home for all the food which we produce.

At the close of business, June 7, the bonds held by the United States Treasury as the basis of bank circulation amounted to a total of \$336,123,150, and consisted of \$3,498,000 of currency sixes, \$45,087,000 of four and a-halves, \$110,188,200 of fours, and \$177,349,950 of threes. The bank notes issued upon these threes amount to \$159,614,955, which will be withdrawn when the threes are all called, except so far as the banks may substitute higher interest bonds in their place. The contraction of the currency would in that case be \$151,634,208, after deducting the five per cent. in cash which the banks are obliged to deposit in the United States Treasury for the redemption of their circulation. To what extent the banks will substitute other bonds for called threes will depend upon many circumstances, but chiefly upon the future prices of the higher interest bonds. During the week ending June 7 the amount of bonds deposited for circulation, \$1,300,000, was exactly the same as the amount withdrawn, so that nothing happened except the substitution of one class of bonds for another. While it is certain that the volume of bank-note circulation will diminish, unless there is some legislation to prevent it, it is not probable that the rate of diminution will be rapid enough to bring on the "financial cyclone" which some persons fear from it.

On the fifth of June, Rahway (New Jersey) agreed upon a basis of compromise in respect to the payment of \$2,000,000 of bonds issued for improvement purposes, which, in its own opinion, and as it would seem in the opinion of its creditors, it is not able to pay in full. The basis of the compromise is thirty-five per cent. payable in forty-year bonds, with interest at two per cent. for the first two years, three per cent. for the third year, and four per cent. for the remainder of the term.

The India Government offered for bids in the London market, May 16, Indian three per cents., payable in London and in sterling money, and optionally redeemable in sixty-four years, at a minimum price of ninety-three and a-half. The bids amounted to £3,127,800, and the average price obtained was ninety-four and a-fifth. A few

bids as high as ninety-seven were made. The lowest rate India security ever before sold was a three-and-a-half stock.

The statement that a recent number of the *London Times* contained four pages of advertisements of real estate for sale in Great Britain calls attention to the depressed condition of the landed interest in that country. The depression is so extreme as in numerous cases to bring about a revolution in the ownership of properties. The first charges of mortgages and family annuities eat up all the income, and junior titles go to the wall. It is impossible to maintain the old British scale of rents for lands made use to produce food, in the face of the extension of agriculture in other countries where lands are at nominal prices, and of the low rates to which ocean freights have fallen.

The *London Economist* of May 31 says:

"Prices are lower than they were in 1883 or 1882; and, owing to the fall in prices, it takes a smaller amount of money to do a given amount of work."

The story of the wrecking of the Glasgow Bank, and of the ruin inflicted upon its stockholders whose liability was unlimited, is one of the most melancholy things in financial history. We have before us a report of the administration for five years of the fund raised by Scottish sympathy for the relief of the stockholders. This fund was a large one in itself, \$1,937,775, but could only afford a meager relief in comparison with the demands made upon it. The applicants for appropriations out of the fund numbered 984. They were the owners of \$2,766,000 of the stock of the bank at the time of the failure, which was salable in the market just before that event for \$6,585,420. In addition to that loss they were obliged to contribute and did contribute the enormous sum of \$15,999,845 to pay the debts of the bank, with all the sacrifice of property which the raising of such a sum in cash involved. About one-third of the relief fund remains unexpended, being reserved for the support of the old age of the sufferers, many of whom are women. The creditors of the bank have received their pay in full.

The returns of the Bank of England, May 28, show \$15,552,016 of reserves to \$34,452,303 of public and private deposits, and had not varied much from that proportion during several preceding months.

Baring Brothers & Co. offered in London, June 13, at a minimum of ninety-one, the New Canadian three-and-a-half-per-cent. loan of five millions sterling. It was all taken, some of it by French buyers.

On the twenty-third of May, the metallic reserve of the Imperial Bank of Austro-Hungary consisted of \$61,745,000 in silver, and \$30,125,000 in gold.

## THE DEVELOPMENT OF ITALIAN FINANCE.\*

In the second half of our century Italy seems destined to be a most interesting field of observation and study for economists as well as for statesmen. To statesmen it has offered the spectacle of a strong and lasting revival upon a territory where several forms of civilization have already been developed, of which the last two, the Roman civilization and the civilization of the middle ages, have had considerable influence on other nations; it has consequently proved that civilizations may succeed one another upon the same soil without exhausting it. At the same time, Italy has given a fine example of great political wisdom, of serious mastery of itself in accomplishing a clearly-defined political purpose, followed up through obstacles of every sort. This purpose was and is the formation and preservation of one and the same nationality from the Alps to the Gulfs of Taranto and Santa Eufemia. To this purpose Italy has sacrificed its traditions, ideas, and republican inclinations. It has shown the same good sense as did the Dutch of the seventeenth century, who gave up the republican form in order to save their nationality.

Italy gives to the economists of the present instruction of equal importance. Italy is one of the European countries, whose population increases most rapidly. From 1800 to 1880 this increase was 14,000,000 souls. Emigration from Italy consequently became necessary to a considerable extent, reaching 136,000 souls in 1881, and 1,350,000 from 1870 to 1881. If this current continues, it will change completely the influence of Italy in Europe; it will transfer to Italy the preponderance in the Mediterranean basin; it will allow the establishment of Italian colonies, rivaling those of the Anglo-Saxon or Germanic race; it has already refuted the axiom of the decadence of the Latin races. This extraordinary increase of population, more rapid than Italy's economic transformation, has been on the whole a cause of embarrassment and suffering to Italy. To this cause must be attributed the contradiction between the most authentic accounts of the situation of Italy, for example, M. Emile de Laveleye's interesting letters, and the curious facts adduced by M. Luzzatti before the International Congress of Provident Institutions in 1883. The increase of population has been especially great in the country, and has resulted in modifying the agricultural system of Italy, as is shown by the agrarian investigation of 1877. Old agricultural customs, the working of the paternal estate in common, the reservation of lands for the community, the keeping of children around

\* Adapted from the French of E. Fournier de Flaex in the *Journal des Economistes*.

the head of the family, all these things have become more difficult, while the weight of the taxes has been so heavy on the small landowner, or farmer, that many small pieces of land have had to be given up to the State, and owners of land have been compelled to lease their land again for half its produce, combining several too small farms into one on the metayer system. Small farming suffers the most, and seems about to disappear from Italy, the ancient home where it was so eloquently defended sixty years ago by Sismondi in his best work. This is because, in respect to production, Italy has not accomplished early nor quickly enough the evolution necessary to every developing nation, the transformation from the agricultural into the industrial state, an evolution that is finished in England, but is still going on under our eyes in France and Germany. The present and merely temporary inferiority of Italy is due chiefly to this cause. The political revival has been accompanied by an economic revival, which is not to be wondered at. Italy is one of the countries where economic sciences have made the most progress in the last two centuries; this progress must bear fruit sooner or later. Political economy, theoretically, or as an applied science, is suited to Italian sagacity. Hence remarkable practical progress, attested by many works, and consolidated by lasting institutions, which have made of all Italy a vast field of economic and social experiments of high interest. This progress and its deeper causes have brought the different classes of Italian society nearer together; a sort of harmonizing influence has been at work, which does great honor to Italy, and is a good sign for the different European nations, especially for those of the Latin race, some of them belonging to the same current of civilization.

This situation can excite but one regret in Frenchmen, to whom it is partly due, that Italians have, with only a few honorable exceptions, shown such an intermittent gratitude for the service France did them at her own expense. No doubt this revival does not proceed entirely from the constitution of the Italian nationality, conquered at Montebello, Magenta, and Solferino, but the existence of the nation has concentrated all efforts and secured everything. To make and complete Italian nationality France had to compromise the foundations upon which Henry II., Richelieu, and Louis XIV. raised the French nationality.

Nevertheless, the economists of France are intently following Italy's political and economic development; after witnessing the assistance rendered by France, they notice without regret that the assistance has been efficacious, and that Italy has known how to profit by it. Not alone to the soldiers of France does Italy owe some sort of gratitude; but to her economists as well, since M. Luzzatti declares: "Your economists have been our masters, we have been faithful to their doctrines." There may have been a cer-

tain malicious satisfaction in this confession, for France is far from showing the same wisdom and progress as Italy. Thanks to exceptional resources, she has made head with surprising promptness against reverses, that would probably have overwhelmed Italy; but her present condition is not what her resources would have attained, if they had been used with Italian prudence.

The abolition of the forced currency was an operation that passed almost without notice in France, but it is not so in Italy. This difference is because Italy, despite her rich soil and growing population, does not have at her disposal the same resources as France; the abundant resources of France have often led to improvidence. Limited resources have made Italy prudent. To gain some idea of the economic movement of Italy within twenty years, of the economic revival that I have noted, a collection of very appropriate facts is afforded by the study of the establishment of the forced currency in Italy, of its results, and of its abolition.

#### ITALY FROM 1859 TO 1866—ITALIAN UNITY.

Though the forced currency was only introduced into Italy in 1866, we must go back to 1859 in order to compare effectively Italy before and after the forced currency, for, in reality, the forced currency resulted quite as much from the events of 1859, as from the war of 1866. In 1859, on the eve of the first revolutionary acts that were to reconstitute, after many centuries of disunion, the unity and nationality of Italy, this was the situation of Italy: good financial condition, excepting Piedmont; bad economic condition, excepting Piedmont. The credit of the different Italian Governments was excellent. They were autocratic governments, anxious for a long life, but economical and paternal. They looked well after their finances, were in good odor with the great bankers, but troubled themselves very little about the growth of ideas, about the changes made by time in men and things. Under their administration, Italy's agricultural population was very flourishing, but nothing was done to make way for the industrial evolution that was changing all Europe. Thus in 1859 Italy had but 1,472 kilometers of railroads. Exclusive of Lombardy, the imports and exports amounted, however, to 1,250 millions, thanks to the sale of silks. Besides commerce, agriculture was the principal factor of the national wealth. The resources of agricultural states are always limited. With the exception of Piedmont, whose people and government were following far-reaching views, the governments merely attempted to balance their budgets by moderating their expenses. The ordinary budgets of Piedmont, Tuscany, the Duchies of Parma and Modena, the Papal States, and the kingdom of the Two Sicilies, in 1857 did not exceed in receipts 500 millions; the total of their public debts amounted to 112 millions in interest.



But Italy was behind other nations in railroads, telegraphs, roads and other methods of communication. Since 1859 the revenue from railroads, posts, and telegraphs, has at least tripled. Italy was in nearly the same economic condition as France before 1848.

The events between 1859 and 1866 upset the political situation, and caused some profound changes in the economic situation. Revolutions always use up much capital, not only in the destructions they occasion, but also in the changes they bring about. The new government, replacing successively the others, was desirous of making itself welcome in a country where local spirit will always have the popular preference from the very nature of things. Moreover, the revolution was not merely in favor of a dynasty; the dynasty was but a means, an instrument; political and economic ideas and needs had to be satisfied. Hence enormous expenditures and oppressive taxes. The expenditures afford benefit, but slowly, but the increased taxation is felt by the people all the more, because, even if revolutions do sometimes fulfill the hopes raised, they always empty purses. In 1859 the total of the debts of the Italian States amounted to 112 millions of interest. From 1866 it ran up to 245 millions of interest, and it is now 433 millions of interest on consols, besides ninety millions of other interest and annual charges. The budgets rose from 500 to 700 millions of ordinary revenues, but this increase gives no idea of that of the expenditures. From 1861 to 1865 the deficit amounted to 2,039 millions; in 1866 it reached 721 millions; it only came to an end in 1874. It lasted consequently fifteen years, and during these fifteen years it represented a total of 3,900 millions. Thus, the deficit of fifteen years of the new government equaled the revenue of the old budget for eight years. The revenue of 1883 is over three times greater than was that of 1857. To endure these burdens Italy was obliged to have recourse not only to the forced currency but also to paper money.

#### ITALY FROM 1866 TO 1882—THE DEFICIT AND FORCED CURRENCY.

In 1866 Italy resorted to the forced currency of its bank notes, and put into circulation, as well, a State paper money, having also forced currency. The new Government could not have supplied its necessities with loans, which, being placed upon foreign markets, and almost exclusively at Paris, were necessarily limited, nor with the forced currency of the notes of the six banks authorized to issue them. December 31, 1866, eight months after the establishment of the forced currency and of paper money, the notes issued by the State represented 496 millions, while the bank circulation did not quite reach 246 millions; December, 31, 1879, the State had put in circulation 940 millions of its notes, but the circulation of the banks amounted to only 732 millions.

In 1848 and 1870 France had the forced currency of its bank circulation, but did not resort to paper money—that is, to the direct issue of notes by the State. Certainly this is one of the chief reasons that the abolition of the forced currency took place without embarrassment in 1850 and 1878 in France, while in Italy the operation has been complicated and delicate.

The forced currency and paper money have rendered Italy great services, but their services are always dearly paid for. Thus it was in the American Revolution and the Rebellion of the United States, in spite of a scrupulously faithful liquidation. In England this liquidation, after twenty-two years of the forced currency, long weighed heavily upon the economic condition of the country. The assignats of France resulted in complete bankruptcy, notwithstanding the milliard furnished by the property of the clergy and the emigrants. When the forced currency is but a temporary expedient for the circulation, designed to prevent momentary embarrassments, to take the place of the precious metals drained away, to aid the banks in their immediate obligation to redeem their notes with specie, which was the case in France in 1848 and 1870, the traces it leaves in the economic condition are of slight duration, the services it renders are even superior to the price paid for them. Thus, the depreciation of two to three per cent. to which the notes of the Bank of France were subjected during part of the time of the forced currency, was a very slight burden for the period; but when the forced currency of the bank notes coincides with the issue of paper money by the State, the affair is very different. Then the idea is not simply to provide for the real necessities of the circulation, but to procure capital, resources, by increasing this circulation; it is, therefore, an anticipation of the future, a forced loan in disguise. The question then comes up whether this loan will be redeemed, and when, and how. The State notes in circulation are just like debts with a known debtor but no definite creditor. The uncertainty of redemption and the uncertainty about the creditor make a risk; the depreciation corresponds to this risk, and becomes greater the more notes are put in circulation, and the more uncertain are the resources to meet them; hence, the depreciation varies incessantly. The necessities of the State may increase more rapidly than its resources, which was precisely what happened in Italy, where, from 1866 to 1870, the State notes rose from 250 millions to 445, while the banks increased their circulation from 247 to 497 millions. The public opinion of the condition of the country, of the chances of redemption, is another reason for the variation of the depreciation. The currency and the public funds are then almost confounded. If Government bonds go down on the Bourse the depreciation becomes greater; it becomes less, on the other hand, if Government bonds rise in value. They

are two barometers marking the same oscillations inversely. The consequences of this condition of things are very serious, for on one side metallic money is literally driven from the market, and on the other, prices become disastrously uncertain from the uncertainty of the monetary instrument that fixes them. The precious metals are fundamentally adapted to giving a fixed basis to metallic money; it is not quite invariable, but is sufficiently fixed to furnish an excellent instrument for establishing prices, whether of commodities or of labor. But when the principal monetary instrument is only paper, stamped by the State or banks, the fluctuations of its value prevent its being sufficiently fixed. Prices then become extremely variable, causing contingent losses or profits upon production, in which speculation occupies too large a place. All the precious metals disappear under the same influence, for, if there are two different qualities of money the bad will always prevail under the law of exchange everywhere. The foreign country in possession of a better money regulates this situation; it will only exchange its money for money equally good, or its products for its own money, so that it has in its hands the fixing of the difference between the good money and the bad, between the metallic money and the money of credit. Italy was not long in experiencing this situation. After establishing the forced currency and paper money it had to undertake the engagement to redeem its losses and to pay its arrears in gold. The resulting losses sometimes exceeded fifteen millions a year for the State. The rule that applied to the State was also extended to all private transactions. If the Italians bought any foreign products they had to pay for them in gold or suffer from the depreciation of their currency, losing according to the current rate of exchange. If they were sellers they were paid in their own money. People traveling in Italy from 1866 to 1881 were always careful to provide themselves with gold. The premium they made covered a part of their expenses. In 1880 the premium on gold was still ten per cent., its minimum was one and a-quarter per cent. in 1866, and its maximum twenty and a-half in the same year. The depreciation of the currency, therefore, varies exceedingly, follows the course of the Government securities, and tends to increase with the amount of paper money issued.

Want of fixity in the monetary instrument is a great misfortune for the people; it is equivalent to a debasement of the coinage. A depreciation of the paper money varying from one to twenty per cent. is harder to endure than was the debased coinage of Philip the Fair or John the Good. A constant increase of the depreciation occasions still more serious losses, which are inevitable and universal. This depreciation has been most terrible for Italy in the later years.

The Italian Government had scarcely established the forced cur-

rency and paper money, before it became anxious to be rid of them; investigations were ordered, plans were made but it was soon evident that the situation was stronger than the will.

How, indeed, could the paper money be redeemed when there was a succession of deficits for ten years? All idea of it had to be given up; there was nothing to do but to wait, until it became possible from the progress of the economic condition of Italy, or from the improvement of the National finances. Italy had to put up with the forced currency, paper money, and depreciation until the twelfth of April, 1883, during a period of seventeen years. If the average depreciation be put at ten per cent. it may be admitted that the depreciation has been a cost to the State of nearly 200 millions, and to Italy of at least two milliards, for its commercial movement (importation) from 1866 to 1883 was more than twenty milliards, without counting any other losses than those to be found upon the books of the customs. It has been sought to extenuate these losses by affirming that paper money causes a rise in the prices of commodities and in wages. This is true for a certain period, especially during the early period; paper money produces then almost the same effect as an influx of the precious metals. But this increase was not of long duration, particularly in the matter of international exchanges. There has always been a certain tendency to the leveling of prices; this tendency has been singularly increased by railroads, telegraphs and steam navigation. The result is that all products are subjected to the same leveling law. Other economical facts, moreover, the means of transportation, competition of similar products, may counterbalance this artificial rise. And this is just what has occurred, except in the case of wines. The competition of the United States and of India has lowered the price of grain more than the paper money raised it, and the competition of China and Japan has done the same for the price of silks. In the opposite direction the phylloxera has been of greater utility in raising the price of wines than the paper money; these views are confirmed by the state of poverty that has been observed in certain regions of Italy, despite some undoubted progress. This poverty arises in part, certainly, from the losses caused by paper money, by the fearful cancer of depreciation, which for seventeen years has been a clear annual deduction from the production of Italy of 130 millions, at least, perhaps the eighth, if not the seventh, of the National revenue, estimated at 900 millions to one milliard.

O. A. BIERSTADT.

## PRACTICAL BANKING.\*

## THE ORIGIN AND NATURE OF BANKING.

It is often said that the term bank is derived from *banco*, the Italian word for bench, the Lombard Jews in Italy having benches in the market-place where they exchanged money and bills. When a banker failed, his bench was broken by the people, and he was called a bankrupt.

This derivation of the term, however, is probably wrong. "The true original meaning of *banco*," says MacLeod,† is a heap, or mound, and this word was metaphorically applied to signify a common fund, or joint stock, formed by the contributions of a multitude of persons."

A brief account of the first banking operations in Venice will dispel the haze enveloping this subject. In 1171 the financial condition of Venice was strained in consequence of the wars in which the people were engaged. The great council of the republic finally determined to raise a forced loan. Every citizen was obliged to contribute the hundredth part of his possessions to the State, receiving therefor interest at the rate of five per cent. The public revenues were mortgaged to secure the interest, and commissioners were appointed to pay the interest to the fundholders and to transfer the stock. The loan had several names in Italian, *Compera*, *Mutuo*, but the most common was *Monte*, a joint stock fund. Afterward, two more loans were contracted, and in exchange for the money contributed by the citizens, the commissioners gave stock certificates bearing interest, and which could be sold and transferred.

At this period the Germans were masters of a great part of Italy, and the German word *Banck* came into use as well as its Italian equivalent *Monte*. The Italians ere long changed *Banck* into *Banco*, and the public loans or debts were called *Monti* or *Banchi*. Thus an English writer, Benbrigge, who wrote in 1646, mentioned the "three bankes" at Venice, by which he meant the three public loans, or *Monte*, that we have described. Likewise Count Cibrario, who wrote a work on *Political Economy in the Middle Age*, says, "it is known that the first Bank, or Public Debt, was erected at Venice in 1171." Other proof of the same nature might be added to show that *Banco* in Italian meant a fund formed by several contributions; and the Bank of Venice was really the first funding system, or system of public debts.

\* This article consists of extracts from a work, now in press, on *Practical Banking* by the editor of this Magazine. Copyright.

† *Principles of Economical Philosophy*, vol. 1, p. 547.

"A banker," says Gilbert, "is a dealer in capital, or, more properly, a dealer in money. He is an intermediate party between the borrower and the lender." The difference between the rate received by the banker, for the use of the money loaned by him, and the rate he has to pay for it, is his profit.

"By this means he draws into active operations those small sums of money which were previously unproductive in the hands of private individuals, and at the same time furnishes accommodation to those who have need of additional capital to carry on their business." In other words, a bank is a means for organizing capital whereby its full power may be utilized. The function of a bank in storing up capital, and thus increasing its power, has been likened to that of a dam put across a stream. Before the erection of the structure, the waters coursed their way through wood and meadow, contributing, it is true, to the diversity and beauty of the scene, beside satisfying a needful want of man and beast. To the poet, the stream gave forth an unregarded music, while a De Quincey would hearken with profound emotion and awe to the "sound-pealing anthems, as if streaming from the open portals of some illimitable cathedral." But by storing up the waters, a force is collected which can be used for running the largest factory, and thus ministering in a very potent way to advance the material prosperity of man.

There are several kinds of banks. They may be divided first into private and public banks. Private banks are conducted by individuals without incorporation. They are very numerous in our country. The number given in the *Banker's Almanac and Register*, not including brokers, was 3,387, for the year 1884. They exist in all the States and Territories. Some of them have flourished for a long period, and are regarded very sound, and worthy of the highest credit.

Chartered banks may be divided into two classes: those organized and existing under the laws of the United States; and State institutions. The latter may be again divided into deposit and discount banks, savings banks and trust companies. Each class will be described hereafter.

The business of banking consists (1) in receiving deposits of money on which interest may or may not be allowed; (2) in making advances of money, principally in the way of discounting notes; (3) in effecting the transmission of money from one place to another. This is true of the ordinary banks of deposit and discount, both State and National.

The disposable means of a bank consists (1) of the capital paid down by the shareholders; (2) the money deposited with it by its customers; (3) the notes it can circulate; (4) the money it

receives in the course of transmission, and which, of course, it must repay at another place.

The expenses of a bank may be thus classified: rent, taxes and repairs of the banking-house, salaries of officers, stationery and postage. To this may be added interest upon deposits, if allowed.

The profits of a bank consist of that portion of its total receipts, including discount, interest, dividends and commissions, which exceed the total amount of expenses.

#### THE UTILITY OF BANKING.

1. Banks are useful as places of security for the deposit of money. Not long ago a Western farmer received nearly ten thousand dollars in specie from the Government in payment for bonds. Not regarding a bank as a safe place for depositing his gold, he put it in the bottom of a barrel in his wood-shed, filled it nearly full of ashes, and the remainder with straw; he then made a nest there, filled it with eggs, and put them in the custody of a setting hen. He thought that his sagacity was quite equal to the occasion. After waiting a couple of weeks he concluded, one Sunday, when having nothing else to do, that he would examine his highly original safe in the wood-shed. The old hen was decidedly cross, and did not enjoy his presence. Still she felt better than he did as soon as he had plunged his arm down the side of the barrel and found that some one had kindly relieved him of his gold. Probably he will think more highly of banks as places of deposit in the future.

The need of a safe place of deposit gave rise to the leaving of valuables with the goldsmiths of London. If money is deposited in a bank and lost, even though not negligent it is responsible. Robberies would rapidly multiply if much money were kept in houses. The depositing of it with banks spares many a house from the invasion of robbers.

2. A greater profit is acquired by the owners of money than would be if banks did not exist. The allowance of interest by "the new-fashioned bankers" has been considered the origin of modern banking. A large amount of money, in the aggregate, would remain idle and unproductive if these institutions did not exist. By offering to pay interest, persons having money are induced to deposit it with banks, and thus increase their gains.

3. Moreover, the payment of interest on deposits is a stimulant to accumulate money. Were there no Savings banks, a large portion of the savings deposited in them would never have been collected and saved. Probably the majority of these depositors have no thought of collecting enough to buy a bond or a few shares of stock. Such a process of saving is too elaborate for them. But when a way is provided for adding to their savings by simply de-

positing their money in a bank, thousands, yes millions, of persons in our country have availed themselves of the opportunity.

4. Another utility is that banks loan money to persons who wish to borrow it. Loans are made chiefly to persons engaged in manufactures, trade, commerce, and other business pursuits. Money is especially needful to them to conduct their enterprises. Indeed, if they could not obtain it, they could not maintain their place in the world of business. The credit that some mercantile houses have is worth more to them than the capital they actually possess.

5. Another utility is that banks save the transmission of money from one part of the country to another. Not only is the risk of loss from robbery and other accidents avoided, but the money is kept in more active circulation. Were it actually sent from place to place to effect all the payments that are daily made, a large amount must be locked up in the process of transportation, which otherwise would be more actively employed.

6. There is a saving of time in paying large debts by checks or bills of exchange. To count the money would be a long process in making many of the heavy payments of our time.

7. There is a less danger of error in calculation when checks are used than when money is paid. Of course there are some risks attending the use of checks. But in paying with money there is also the risk of getting counterfeits, light weight, or otherwise defective coin.

8. Besides, checks constitute a good record of one's expenditure. If an individual deposits all the money he receives with a bank, and draws it out by checks, his check-book contains the story of his income and expenditure. For persons who do not have business habits this mode of keeping their money and paying their bills is especially worth observing.

9. A bank account is very useful if a payment is disputed. Individuals do not always take receipts for the money they pay, and even if they do, sometimes lose them. If a bill be paid, but no proof can be furnished of paying it and payment be again demanded, too often it must be paid a second time. But if a check for the bill be given this is the best kind of evidence of payment.

10. If one has an account with a bank it is often a good channel for getting useful business information. If one has money to collect or to remit, a banker, when asked, will state the best way of proceeding. Not infrequently bank officials give valuable advice pertaining to investments and other matters.

11. An eminent English banker,\* from whose work on *Banking* many of the ideas in this chapter have been obtained, has said that "banking also exercises a powerful influence upon the morals of

\* Gilbert.



society. It tends to produce honesty and punctuality in pecuniary engagements. Bankers, for their own interest, always have a regard to the moral character of the party with whom they deal; they inquire whether he be honest or tricky, industrious or idle, prudent or speculative, thrifty or prodigal, and they will more readily make advances to a man of moderate property and good morals than to a man of large property but of inferior reputation. Thus the establishment of a bank in any place immediately advances the pecuniary value of a good moral character. There are numerous instances of persons having risen from obscurity to wealth only by means of their moral character, and the confidence which that character produced in the mind of their banker. It is not merely by way of loan or discount that a banker serves such a person. He also speaks well of him to those persons who may make inquiries respecting him; and the banker's good opinion will be the means of procuring him a higher degree of credit with the parties with whom he trades. These effects are easily perceivable. It is thus that bankers perform the functions of public conservators of the commercial virtues. From motives of private interest they encourage the industrious, the prudent, the punctual, and the honest, while they discountenance the spendthrift and the gambler, the liar and the knave. They hold out inducements to uprightness, which are not disregarded by even the most abandoned. There is many a man who would be deterred from dishonesty by the frown of a banker, though he might care but little for the admonitions of a bishop."

#### THE PRESIDENT.

The president is the chief executive officer of the bank, and presides at the meetings of the Board of Directors, but is not necessarily the business head or manager of the institution. Some banks have a vice-president. The vice-president in the absence of the president assumes the functions of the latter.

In legal matters the president must sign documents conveying real estate, and with the cashier must sign certificates of stock issued to shareholders, and the circulating notes. He must also sign the various reports required by the National Banking law to be made to the Comptroller, and must certify to that officer the payment of each installment of stock. He cannot act as proxy at meetings of the shareholders.

He is not required to give a bond to secure the bank in the event of not faithfully performing his duties, but all the officials below him give such security. It is supposed that his large pecuniary interest in his bank, and his well-known standing in the community where he resides, will prove an ample guaranty. Of course, bank presidents are sometimes recreant to their trusts, but happily not often. It is well to believe there are persons living in every

community whose word is as good as their bond, and for them to give such an obligation, therefore, is superfluous.

The salary of a bank president varies from a very small sum to fifteen thousand dollars a year. When his duties are very few, and only a slight portion of his time is devoted to the affairs of the bank, no salary is paid. This is often the case.

We have mentioned that in some cases he is the real business head of a bank, and that in others he is not. The country banks, so called, by which is meant in this place, the banks outside the larger cities, are managed by the cashier. Here and there may be found an exception. In the large cities, however, the president is usually the chief business officer, going to the bank regularly, and spending his time there during banking hours. He is a hard-working officer, acquainted with all the details of the business, and interested in all matters pertaining to the prosperity of his enterprise. Occasionally the president of a city bank is a figure head, and then the vice-president or cashier is the chief business officer.

An author, from whom we shall quote in our work, has said: "It is considered desirable that the president should possess an independent income, and be free from the entanglements of trade. Engagement in other business would distract his attention from the bank, and might give rise to a conflict of interests. Under the pressure of personal embarrassment, with the means of relief in his official hands, even a rigid sense of duty might be overcome. The highest tone of sentiment on this point is, therefore, adverse to his connection with the hazards of commerce. Yet several of our most prosperous New York City banks have always been presided over by active, enterprising merchants.

"There are other reasons why a bank president should hold himself aloof from mercantile business. With large capital invested in a particular branch of trade, his views might insensibly become narrow and partial. An engrossing special interest would divert his mind from the close study of credits generally, and make his judgment less clear, as the condition of commerce becomes more critical. In a season of growing stringency in the money market, self-interest compels bank directors, in common with others, to withdraw their attention from all affairs but their own, and thus additional responsibility is thrown on the officers, particularly on the president. The discounting of paper is then less strictly confined to the sessions of the board. It is spread through every hour of the day, with specialities and importunities which can be dealt with only individually and privately."\*

The truth of Gibbons' first remark has been illustrated in a startling manner on more than one occasion. A bank president

\* *Gibbons' Banks of New York*, p. 24.

ought not to be regarded morally as a very superior being. If he is engaged in outside interests of greater pecuniary or other importance to him than his bank, there is danger that he will neglect or use it for a personal end. This has happened again and again. Within a very short time several fresh illustrations have been added to those existing before.

It need hardly be said that a bank president should possess a very considerable knowledge, especially of men. It is true that many a successful bank president has had only a slight acquaintance with books, but he has understood men. To have this knowledge in a marked degree is a gift rather than an acquirement; yet the less fortunate should strive, nevertheless, to acquire by determined effort that knowledge of men which is so essential to business success.

A bank president should keep a keen watch on the movements of trade, on the strength and weakness of those to whom money is loaned, or who are likely to ask for loans, for on the sagacious lending of the bank's resources mainly depends its prosperity. Some bank presidents read the trade newspapers with great care, and search in every quarter for information relating to the borrowers of money. If a considerable number of failures occur in a particular trade they are carefully noted. A bank president told the writer a few years ago that a great deal of tobacco had been injured in curing during that year, and that he should be especially careful about discounting "tobacco paper," because he expected that a good many failures would happen among tobacco manufacturers. This is the kind of vigilance required for a bank manager. Still, however wisely he may conduct the business of discounting, risks are unavoidable, and losses will accrue.

#### DIRECTORS' MEETINGS AND DISCOUNTING.

The regular meetings of Boards of Directors in most banks are held twice a week, but in some banks meetings are held daily. The mode of discounting paper varies much in different banking institutions. In many of them, especially in the larger cities, the business head, whether he be the president, vice-president or cashier, passes on the paper as soon as it is offered for discount. Customers cannot wait, money is wanted, and they are speedily told whether they can be accommodated or not. But with the country banks a different custom prevails. The paper is offered for discount and is put before the directors, and they decide whether to accept or to decline it. The president of a very profitable bank in New York City once said to the writer, that after his bank had been in existence for ten years it had lost only three pieces of paper, and these were discounted by the board during his absence. He loaned the money, and the directors at their meetings merely ratified the

loans made. A board is a very convenient body for referring paper which an officer is unwilling to accept. He does not wish to offend the offerer by declining to discount it, and so it is referred to the board for their action. This is the least offensive way of telling a man that he cannot be accommodated. Of course, many cases are referred to the board for their action which may be decided favorably. The amounts may be very large, or there may be something peculiar about the loans, a longer time than is usually granted perhaps may be wanted, and the cashier or president may not wish to assume the sole responsibility. When banks hold daily meetings the directors decide what paper shall be discounted.

At these meetings the president is seated at the head of the table, and the cashier occupies a convenient seat near him. In some banks the directors have particular chairs, in others no order of arrangement is observed. The cashier reads the minutes of the previous meeting of the board, and after their approval the board proceeds to other business. The cashier records the names of the directors present, as this fact is worth preserving. The business transacted since the last meeting, as previously stated, consisting of the discounting of paper on the responsibility of the bank manager, is submitted for ratification. Banking institutions are not always so particular in doing this as they ought to be, or in examining the paper taken.

When the wrong practices of Eno, the president of the Second National Bank of New York, were discovered, it was found that not only did he discount paper on his sole responsibility, but kept it in a vault down town, not belonging to the bank, and the directors never saw it. They accepted his statement of what he did as true, and never troubled themselves to look at the paper discounted. Had this been done, Eno would have been obliged to resort to some other artifice to conceal his fraud; or, what is quite probable, could not have gone so far as he did, without exciting suspicion leading to his detection.

Vigilance is the price of prosperity, and this applies more emphatically to banking than to almost any other kind of business. No bank manager, however long and ably he may have served a bank, ought to be permitted to conduct its affairs without supervision. Directors who do not direct occupy a false position toward the public, the depositors, the stockholders and the bank manager. The welfare of the several classes concerned in the institution demand that these officials should not neglect their duties.

Before proceeding to discount paper, it is necessary to know what resources a bank has available for that purpose. This information is contained in a Statement from the General Ledger. The following form is copied from the Daily Statement Book of a bank in New York City :

## Daily Statement,

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	<i>Monday.</i>	<i>Tuesday.</i>	<i>Wed.</i>
Bills discounted.....			
Temporary loans.....			
U. S. bonds with Treasurer to secure circulation.....			
Other Stocks and Bonds and Mortgages.....			
N. Y. Clearing-house Association bonds.....			
Sundry securities.....			
<b>Total loans.....</b>			
Legal-tender notes.....			
Specie—Gold certificates.....			
" Clearing-house certificates.....			
" coin.....			
Silver coin.....			
Arctic National bank notes.....			
Notes of other National banks.....			
Exchanges for Clearing-house.....			
<b>Total cash.....</b>			
Expenses.....			
Interest.....			
Premiums.....			
Taxes paid.....			
Exchange.....			
<b>Total expenses, &amp;c.....</b>			
Real estate, banking house.....			
Other Real Estate.....			
Deposit with U. S. Treasurer, 5 per cent. fund.....			
Due from U. S. Treasurer, Redemption Agent.....			
Due from banks.....			
<b>Total footings.....</b>			
Memoranda—Legal-tender notes.....			
Specie.....			
5 per cent. fund and redemptions.....			
<b>Total reserve.....</b>			
Reserve required.....			

The items are read, or the principal ones, and afterward the offerings, consisting of notes on which the owners are desirous of obtaining money of the bank. Instead, however, of reading these, a record, previously made in a book called an Offering Book, is read to the directors. In this book the names of the offerers are recorded alphabetically, the amount of each note, the time it is to run, the name of the indorser, where payable, and any other particulars relating to it. In small banks the notes offered are read without regard to alphabetical order.

If the amount of offerings exceeds the amount of loanable funds of course not all can be accommodated, even if their notes be desirable. But rarely does it happen when any considerable amount of paper is offered that it possesses a uniform value. Some makers

**Arctic National Bank of the City of New York.**

	<i>Monday.</i>	<i>Tuesday.</i>	<i>Wed.</i>
Capital stock.....			
Surplus fund.....			
Profit and loss.....			
Discount .....			
Interest.....			
Exchange .....			
Rents collected.....			
<b>Total profits.....</b>			
National circulation outstanding.....			
Dividends unpaid.....			
Individual deposits A to — .....			
"          "      — to — .....			
"          "      — to Z.....			
Certified checks.....			
<b>Total individual deposits.....</b>			
Banks and bankers' deposits A to — .....			
"          "      — to — .....			
"          "      — to Z.....			
Afternoon mail.....			
<b>Total banks and bankers' deposits.....</b>			
<b>Total footings.....</b>			
Memoranda—Gross deposits .....			
(Daily) Net deposits.....			
Weekly average—Loans and discounts.....			
Specie.....			
(Reported Saturdays Legal-tender notes.....			
to Deposits.....			
(Clearing-House.) Circulation .....			

or indorsers are better known, and are preferred to others. What, therefore, happens, is to select from the entire amount offered the most desirable offerings, and to decline the remainder. Yet, often the entire amount offered is not enough to absorb all the loanable funds. Then the bank must look elsewhere to find a way for employing its resources. One way is to buy paper, though in buying it the board may pass on the transaction the same as would be done if offered in the usual way for discount. This business of buying paper is worth a brief explanation.

It is purchased by a bank of a note-broker. But where does he get such paper to sell? Of merchants. Formerly they gave notes only for the merchandise they bought, but in recent times they give notes without reference to the purchase of any special mer-

chandise, in order with the money thus obtained to discount their bills.

Once when notes were for a longer period, and notes were almost universally given for purchases, they were generally drawn to the maker's order, and read for value received "from A B & Co.," or whoever the seller might be. Indeed, some houses were so careful lest the paper might be thought to be *made* paper that they inserted the name of the seller of the merchandise in full. This paper was sold largely in the "street" to banks and others, who bought it with confidence because it represented an actual business transaction. It suited commission houses and importers, because if not willing to hold the paper until maturity, they could realize upon it without the responsibility of endorsing it, and thus go on and sell to a house (whatever their own private opinion of its soundness might be) so long as the paper would sell at a rate of discount not interfering too much with the profit on the goods or the rate of commission. This, of course, was legitimate dealing, representing actual merchandise transactions. So, indeed, is the making and openly selling of one's paper in the market, and the using of the proceeds in "cashing" bills, legitimate, but it is dangerous and liable to abuses. Funds so obtained can be used for any purpose, and the developments in some recent failures have shown that the money was often used for operations entirely outside of the regular business of the maker, or for purely speculative purposes.

As merchants often sell their paper at six or seven per cent. interest, and discount their own bills at seven to nine per cent., of course they make two or three per cent. by borrowing the money for thus paying their bills in advance of their maturity. The broker gets a commission for negotiating the merchants' paper, which must be deducted from the profit of the transaction. After deducting this brokerage, however, there is a considerable profit from borrowing money as just described, and the business has become a very large one.

In some parts of the country, Hartford, Connecticut, for example, the banking capital is much larger than can be profitably employed locally. Providence is another place of the kind. The banks of those cities consequently invest large sums through note-brokers.

The following is the method of conducting the business in the largest cities. A printed or lithographed list of notes is sent to a bank. It may contain a description of a hundred pieces of paper and is marked "This is for bankers' use only." Each piece is numbered. If a bank wishes to see any of the pieces therein described, they are sent on application. There is another way, however, of negotiating such paper, which may be explained here. If a note-broker were selling all the paper given by a certain merchant, the broker would be very careful in offering it for sale. If a banker

has twenty thousand dollars of it, for example, and the broker knows that he cannot increase the amount, he will be careful not to offer more. The broker would be equally careful not to put such paper on a printed list through fear that the banker would see it, and concluding that the merchant was giving a large amount of paper, would determine to buy no more. The banker, in other words, might conclude that the merchant was issuing more paper than he ought to issue if his name appeared very frequently on printed lists.

Sometimes the broker has the notes in his possession for sale; in other cases he has simply a memorandum of them. In the latter case he has a printed form, containing the name of the maker, amount, when and where payable, indorser, and other particulars. A list is sent to a bank containing such a description of notes, or a broker, or agent for him, may visit a bank personally and exhibit such a list, or the paper itself, which he wishes to negotiate. Many banks are visited several times a day by these brokers offering the notes of persons for sale.

It may be further added that brokers do not always get possession of the notes until they have paid for them. Several practices exist in this regard. One practice is for a merchant to make notes and then deliver them to a note-broker for sale. The latter may give a receipt or acknowledgment, or he may not. In such a case the merchant has entire confidence in the broker, otherwise he would not give him notes without adequate security. There are some very good reasons for thus leaving notes with a broker when perfect confidence is reposed in him. Very likely he has a class of customers, retired merchants, perhaps, who buy paper occasionally. They frequent his office, and, if he has notes which they can examine, may be led to purchase, whereas they would not do so if the broker had only a memorandum of the paper, and was obliged to send for it before he could sell it and get the money therefor. For this reason, therefore, sales are facilitated by entrusting the broker—and, in truth, vast amounts are left for sale. When Alonzo Follet, of New York, failed a few years since, he had nearly \$10,000,000 of notes in his office, and the amount of paper that he had sold annually was about \$100,000,000.

Another way is for merchants to leave their paper with a note-broker and get immediately from him a certain amount thereon. A merchant, for example, may leave \$25,000 of paper and ask for \$10,000, expecting the balance when the paper is sold. The note-broker pays him this advance on account, and after selling the paper and deducting his commission sends the balance.

Another way is for the note-broker to buy the paper, paying therefor at the time of the purchase. A note-broker will go to a merchant and say, "I will take so much of your paper at such a rate." If the rate be acceptable, the merchant will sell it to him



and get his money. In these cases the broker expects to sell the paper at a lower rate, and to make more than he would if charging the ordinary commission. Many brokers do wholly a business of this kind—buying paper and selling it at the best rate they can obtain or it.

The broker's commission in the large cities is one-eighth of one per cent.; but for negotiating leather paper, as it is called, one-quarter of one per cent. is paid, and the same rate is paid on dry goods and on tea paper. The rate first named, however, is the most general one for negotiating notes.

In negotiating paper note-brokers sometimes endorse it. Follet, whom we have previously mentioned, guaranteed all the paper he sold, and thus became contingently liable for a very large amount. It was said at the time of his failure that the banks which bought it did not do so on his guarantee, but on the credit of the makers of the notes. A bank president at that time remarked, "If a man were to guarantee the note of the richest man in New York, he would be contingently liable for its payment, but the note would be valuable because the maker was responsible. Follet's transactions were very large, and he handled the paper of some of the best firms in the city. I presume the banks of the city are now buying a million dollars of paper a day from brokers, all bought because the maker is supposed to be good, and not because the broker endorses it."

It may be added that banks do not buy paper of the brokers in preference to discounting that of their depositors; but as we have previously said, these institutions are often unable to loan all their resources to persons who make a direct application for money. Banks must therefore either resort to the note-brokers, or loan in some other way.

This bought paper, as it is termed, is entered in a discount book, separate from the DEALERS' DISCOUNT BOOK, and for distinction the bought-paper book is called CASHIER'S DISCOUNTS. Cashier's Checks are given for the paper purchased, and each day the total payments of the CASHIER'S DISCOUNTS are credited to the "Cashier account" in the ledger. Each check when presented and paid is charged to cashier's account, which offsets the corresponding credit. Paper discounted for dealers is posted in a DEALERS' BILL BOOK, with a title page for each dealer. Paper purchased is posted in a CASHIER'S LEDGER, with a title page for each name on the strength of which the paper is bought, and both books, of course, are indexed. A reference to any name can therefore readily be had, and the amount on hand, if any, at once be ascertained.

The officers, therefore, may tell at a glance what, and how much of any name bought, they may have on hand. Many banks have lying on their president's desk a small book, the leaves of which

are made of silicate slate, with two or three leaves for each letter of the alphabet. The names of paper purchased, with the due dates and amounts, are written in pencil on the appropriate pages, and the entries are corrected daily by erasures or additions, as the case may be.

Some banks have adopted a very perfect system of recording the information they obtain concerning the paper they buy. Books are prepared with a page or more devoted to each name. Here are recorded, briefly and succinctly, condensed extracts of mercantile agency reports, extracts from letters that may be received relating to the character and responsibility of the house in question, synopses of conversations with merchants, bankers, and others who have been found to know the firm, &c., &c. A voweled index affords means of speediest reference to any desired name.

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### BANKING REFORM IN NEW YORK.

At a meeting of the New York Clearing-house Association, held on Wednesday, June 4th, 1884, E. H. Perkins, Jr., Esq., Chairman, presiding, the following resolution was unanimously adopted, viz :

*Resolved*, that the experience of the associated banks in the New York Clearing-house during the recent panic, having again shown that every member of the Association, in a time of general and serious financial disturbance, is involuntarily compelled to make common cause with every other member in the risks attending any practical expedient for general relief, or of any effective combination for the public good ; it is therefore proper and necessary to enquire whether the methods of business, as conducted by the several members of this Association, are uniform and correct in their operation with the public, and equitable to all the banks which are thus bound together in the Clearing-house Association.

Mr. Geo. S. Coe, President of the American Exchange National Bank, in presenting this resolution, made substantially the following remarks, which were ordered to be printed for the use of the members :

**MR. CHAIRMAN :** In offering this resolution, I may at first warmly congratulate this Association and the country at large, upon the great good which has been accomplished in the recent financial crisis by means of the organized power of this combination of banks.

After the failure of the Marine Bank, followed as it was so soon, by the announcement of the startling events connected with the Second National, the whole community was stirred to its depths with excitement and apprehension, fearing every form of financial disaster. The reputation before enjoyed by these institutions, and the eminence of some of the men directly and indirectly involved in their failure were such, that faith in human character was for the moment almost destroyed.

As bank officers, we were called here together suddenly by the promptness of our friend Mr. Tappen, and unanimously decided to re-establish our Clearing-house expedient for the issue of loan certificates, which had proved so effective in former great public exigencies, and we appointed a committee of safety, to provide for any new event that might occur. Immediately after that meeting the suspension of the Metropolitan National Bank was reported, which added still greater intensity to the already inflamed condition of the public feeling.

Under these circumstances the Clearing-house Committee were summoned together at midnight, to examine the condition of that institution, and to decide what action should be taken respecting it. A fearful responsibility was thus hastily thrown upon that committee. It was impossible in a few short hours, and in the apprehension of further possible events, to reach a definite conclusion upon the value of the large and diversified assets of that bank. When we examined its books, this most important fact at once appeared: that it owed some eight to nine millions of deposits, a large proportion of which consisted of the reserves of interior banks, which could not be imperiled or locked up for another day without producing a further calamity of wide-spread dimensions throughout the country. It was also evident that the consequent certain suspension of many banks in the interior cities would occur, and be followed by the suspension of business men depending upon them, and by heavy drafts upon those banks here which held similar deposit reserves, and that the immediate danger to our city institutions was great, just in proportion to the extent of such liabilities and to the amount that each bank was expanded relatively to its immediate cash in hand. That, should the threatened wild excitement pervade the country, a general suspension of banks, bankers and merchants was inevitable, and in such case the magnitude of the loss to every institution would be incalculable.

The Committee therefore came to the unanimous conclusion that it was better to confront the risk of losing one or two millions, if need be, by taking possession of the total assets of that bank, and by paying off its depositors, rather than by waiting to incur the hazard of an indefinite and greater loss, by a general financial and commercial derangement throughout the country; and that it was their manifest duty to promptly accept this grave responsibility, confidently relying upon their associates for approval and support. On behalf of the combined capital and surplus of the banks in this Association, amounting to about a hundred millions, and also to protect the property and assets held by them together, of more than three hundred millions, your Committee unhesitatingly acted, and thus saved the nation from immeasurable calamity. The Metropolitan Bank was obviously the key to the whole situation. When this decision was announced the next morning, confidence was instantly restored, and business resumed its even tenor. Seven-eighths of the deposits of the Metropolitan Bank have already been paid off. Its many shareholders have been saved from threatened personal responsibility, and time is gained in which its large property may be more deliberately converted into money. The restoration of confidence was as sudden as was its loss; so sudden, indeed, that the immensity of the danger can now hardly be appreciated.

I rapidly review these important events, Mr. Chairman, because they have once more illustrated the power and importance of this

voluntary Association, and have also shown how the several members comprising it are mutually dependent upon it and upon each other in any great emergency, for the safety and stability of their own banks.

It must be borne in mind, that the banks in New York, holding as they do, the reserves of other institutions and of bankers in this city, and also of banks and bankers throughout the country, and standing between home and foreign commerce, are the last resort of this whole nation for cash reserves, and that a financial disturbance or distrust in any part of the land, is sure to bring upon them a greater or less demand. Acting singly and alone, what could each one of sixty or seventy independent institutions have done to stem the tide which, in such an unnatural and simultaneous call for money from every quarter of an alarmed nation, must have swept over them? No time was allowed to any bank to gather in its loaned resources, and no power on earth could so suddenly respond to a demand that—not any natural commercial want but—general demoralization and wild panic alone had so unexpectedly created. It is perfectly apparent that without this combined support, each bank would have been, not only powerless in itself, but the occasion of peril to others. It was only because we were thus associated, and had in hand the printed forms and instruments provided in past experience, that we were able, at the tap of the drum, instantly to fall into line, and present an unbroken front and a disciplined force, to this formidable enemy. Our numbers, now no longer a weakness, were thus converted into the greatest strength, and we were able easily to carry away this heavy and disabled member, and to relieve its creditors, shareholders and friends from the danger of utter destruction, and also to arrest the panic so rapidly spreading. I think the Association may well feel proud of this achievement, which for promptness, efficiency and breadth of influence, has no superior in the annals of commerce.

Now the Association, being of such importance, and the connection with it of each member being of this peculiar character, how can any honorable gentleman among our number claim the right to selfishly pursue his business in utter disregard of these delicate relations by which the Association itself is sustained, and the business of the nation is safely conducted? We are in a most important sense directly responsible for each other, and cannot avoid being disturbed by the ignorance, selfishness or immoral conduct of our most remote members.

Crises will arise in the future as in the past, and it is not only just but necessary, that we adopt such safe and uniform methods of business as experience has approved, that we clearly understand what those methods are, and freely invite from each other the utmost scrutiny in their observance. In the light of recent experience, it seems no longer credible or possible, that an intelligent body of men, composing an Association of such dignity and importance as this, can deliberately consent to remain responsible partners in times of peril, with those who are eager competitors and antagonists in days of prosperity. The burthens, responsibilities and profits of this great trust ought to be shared together upon recognized and uniform conditions, with special reference to the public welfare; and the only basis of competition for such business, should consist in superior character, fidelity and intelligence in its management. Thus can this Association become one homogeneous body, composed of many members, like the govern-

ment under which we live, and capable of efficiently performing the highest duties, such as single financial institutions—conformably to their political constitution—in older countries, render to commerce, in being the safest custodians, and the ultimate resort of the money reserves of the people.

The issue of loan certificates, although practically equivalent to a supplemental issue of currency, *exclusively for local uses between the members of the Association*, are only, in fact, convenient instruments by which the bills receivable and negotiable securities belonging to one bank are readily transferred to another, in exchange and as a substitute for its ready money. Thus covering the weaker by the stronger, and, in fact, by all the other banks in the Association during a time of common peril. For the time being, these certificates form a connecting medium between the banks, by which they all substantially become one in power, through the ebb and flow of the vital elements which compose them, and by which their total money in hand is made available at any special point of danger. In one sense, our action was outside of law. In fact, the law could never anticipate such experience, nor establish a union so effective, and any legislation to enforce such generous and voluntary co-operation would only prevent it. The occasion was sudden and momentous, and the banks proved equal to the occasion. It was the same after the panic of 1857, when, as State institutions, our similar organization first originated. Also in 1861, after the battle of Bull Run, when with our colleagues in Boston and Philadelphia, we united and furnished the Government from week to week in its greatest extremity, a total of one hundred and fifty millions in gold. Likewise in 1873, when the country was again convulsed by financial trouble. In all these great financial disturbances—each one like the present, but originating from a different cause—the beneficent influence and power of this Association were fully illustrated, and some of us now present can bear testimony to the fact that several banks here represented, owe their continued existence to the protection afforded them upon one or another of those important occasions.

I appeal to you members of the Association to give this subject the most serious consideration. We are responsible not alone to our directors and stockholders. Our responsibility takes a far wider range. Like the Bank of England in the British financial system, the banks composing the New York Clearing-house Association are the final reservoirs of the cash reserve of the nation, and its refuge in commercial commotion. Every one of the thousands of banks and bankers throughout the land has intimate financial relations with us, and all the multitudes who depend upon them are thus indirectly concerned in the stability and safety of our methods of daily business. Every added facility of communication or of commerce only tends more closely to unite us to them, and ourselves to each other. The very conditions of modern life compel us to be more and more mutually dependent.

There are three special abuses to which I desire for a moment to call your attention.

FIRST, *the payment of interest upon deposits of money payable on demand*. This subject has upon several occasions in years past been under consideration, and its total abolition has been almost unanimously agreed to among our banks by written contract. Yet by the refusal of one or more members it has failed to become a binding obligation. Like some other great reforms, this one does

not admit of partial application or of compromise. Any attempt to make exceptions to the prohibition among partners mutually dependent, can only result in entirely releasing them all from any obligation respecting it. Yet every banker will freely admit that the purchase of deposits payable on demand, operates, in some degree, as an absolution of the obligation to be always in condition to meet the contract. Both the giver and receiver of interest on such deposits, by the nature of the business, substantially, though not expressly, agree to such use of the money as *may* prevent its *immediate return*.

What, Mr. Chairman, is the nature of bank deposits? Every responsible person, in regulating his own affairs, must withhold from permanent investment, and keep in ready money, enough for his current wants. *This is his reserve*. When such sums, for greater safety, are placed in charge of another person, they do not lose their essential character; and when they become further aggregated, and pass into the possession of a bank or banker, they are still subject to the same immediate wants of every original owner, for the very purpose for which he set them aside. And when these rivulets of capital become streams, and streams gather into rivers, and flow towards the ocean until they reach this city, where they come into financial relations with other men in other continents, the parties who here take them in charge assume new and accumulated responsibilities. They are subject not only to the necessities of the people at home, but also to the world-wide influences of commerce.

Now there is a constant and irrepressible conflict going on in the mind of every intelligent man or woman, between the desire to invest their own capital so that it may earn them the utmost revenue, and the necessity of retaining enough of it in ready cash, to meet their current necessities. This question decided, each for himself, that portion of the total which is thus reserved becomes charged with peculiar functions. It is the *national reserve*, and the chief cause of financial disturbances arises from trespassing upon it.

Is it not evident, Mr. Chairman, that when these reserves are attracted by banks and bankers who pay interest for them, they immediately lose their peculiar character, and become, so far, at once changed from reserves into investments, and that their original purpose is greatly reversed? The people's ready cash, by the very condition of receiving interest for it, necessarily passes through the banker into fixed forms never intended. Reserve and investment! Idleness and work! They are adverse and irreconcilable conditions. It is true that in the hands of sound commercial banks, some of these deposit funds may be legitimately used for the best interests of society, in the negotiation of business notes representing articles of human want and subsistence, passing from production into consumption. This is using the fund by promoting the very object for which each person originally provided it. But such, we all know, is not the tendency nor the operation of the practice now in question. Money payable on demand with interest is chiefly loaned here upon fixed property intended for permanent investment, and upon bonds, stocks and other obligations made for the construction of public enterprises and works of established purpose, whose large expenditures are not again resolvable into money. They are in their nature *fixed*, and they demand, not their ready cash reserve, but the permanent savings of the people, to construct them. So that temporary loans of reserved capital upon such securities are certain to be called in when they are hardest to pay, because the ready

money reserves so injudiciously absorbed by them, are called back by their owners in apprehension or for the supply of their own needs.

We all know by experience that those deposits upon which interest is paid are the most fugitive and evanescent of all. Those who placed them with us well understand their danger. While they receive interest, they do so with doubt and suspicion of those who allow it, and with the consciousness that they themselves are partially compromising principle in placing them with those who are willing to pay the price.

From the very start, the vicious practice of paying interest for the custody of the people's cash reserves, pursues such funds like an enemy from place to place, and impairs their integrity at every point. And when those deposits have at last concentrated in New York banks, the same evil overtakes them there, all tending to the reduction of tangible cash assets to the lowest point, and to the weakness and impoverishment of the whole country. Arrest this practice here, at the termination of the line, and the reform will, of necessity, run back through every link of the chain in other cities, adding strength to the whole, to the incalculable benefit of the nation. Every institution that accepts the reserves of the community, agreeing to return them upon instant demand, gives a full equivalent in their faithful care. It is in duty bound to retain so large a proportion of such deposits, in actual cash, that no other compensation can be safely allowed. Any such payment should be taken at once as a confession that the fund is to be used in some manner inconsistent with its real nature, and is to be placed more or less in peril. Deposits so unnaturally attracted are necessarily capricious and transitory. They fly away at the first whisper of danger, to the detriment of the many who have touched them. Those banks which so purchase them are objects of special dread to their colleagues in business, while at the same time they are continually held up as patterns of enterprise and as models for imitation. Differing so widely from their associates in principle and in practice the two cannot work harmoniously together, nor equally and honorably share the burthens of a National financial system, whose stability requires the New York banks voluntarily to stand firmly and compactly together as one united body.

Experience among ourselves has again and again proved that the interest-paying banks are the first to become embarrassed by any kind of financial disturbance, even if they themselves are not the means of producing it, and that they are then almost alone in being compelled to seek protection from the loan committee, by a pledge of their securities.

Will a few members of this Association on the one hand, longer continue a practice that subjects them to this humiliation? And is it just, on the other, for a large majority to tacitly submit to having their business thus drawn away, and the community periodically disturbed by associates whom, in the hour of peril, they are compelled for their own protection to support?

There is no necessity whatever, as there is certainly no profit, for the banks in the New York Clearing-House, to continue this practice. Public safety, business convenience, and social needs, all absolutely require the service which these banks perform. The commanding position of this metropolis will constantly bring to it all the capital that healthful commerce and trade can safely employ, and any fictitious attractions only tend to false estimates of wealth,

and betray the community into unprofitable and dangerous enterprises.

If the banks composing this body should unanimously agree to totally abolish this practice, the business of each would not seriously diminish, because no dealer could secure better terms by changing from one member to another, and even if, in the course of time, the disparity between the banks in deposits should consequently not continue as great as now, the loss by any one in *volume* would be more than compensated by a gain in *terms*, and by diminished risk, labor and expenses.

Taken as a whole, whatever the banks composing this Association pay to their dealers and correspondents as interest, is a totally unnecessary and gratuitous payment. It is worse than money thrown away, so far as, and because, it tends to divert the current of capital of the country from its natural flow. If it be expedient for one member to practice it, it is expedient for all; and then the special and selfish advantage to any single one is lost. If it should be continued after our recent experience, it must be distinctly recognized as a defect in our financial system, and a standing cause of contention and of sharper competition among banks in their pursuit of public favor, which must separate the two classes of institutions into known and irreconcilable divisions.

In the business indirectly done through the New York Clearing-House, there enters another element which it is also proper for us to consider as affecting the stability of the whole system. The trust companies and other depositories of funds, very much of which are payable on demand and bear interest, are receiving the full benefit of this Association through the medium of one or another of our members, and so they successfully compete with us all. They thus secure every facility of exchanging their checks with all the banks, and are by that means enabled to divert to themselves a large proportion of the current deposits of the city and country, which have always been regarded as a special function of banking institutions. Instead of being trust companies in the real meaning of the term, many of them are banks of deposit, paying interest. This large volume of deposits is not only in much greater ratio to capital than are the deposits in banks, but it is supported by no special cash reserve of its own whatever. The only ready means it has, consist in keeping current balances at credit in banks like other dealers. It thus leans upon the same reserve as do the banks themselves. If such institutions are to enjoy the privileges of the Clearing-House, they should certainly at least bear the same burdens which rest upon its members, and also contribute their full share of the reserve funds in cash, by which the stability of the business is maintained. By a strange generosity on the part of the Clearing-House Association, it enables these lively competitors to do their business with the public upon better terms than they can do their own, while they do not contribute to the public safety.

SECOND. Another abuse to which I invite your attention is that of *receiving and crediting to dealers, as cash in hand, checks drawn upon banks out of the city*. The aggregate amount of such checks in progress of collection by all the members of this body, is not less than ten millions, and may average fifteen or twenty millions.

These checks cannot be converted into cash here in less time than one week, and for that period they remain as dead assets to the banks. How did this absurd practice arise? Simply by the



eagerness of one bank to draw to itself the business of others by superior inducements, an advantage which, in the nature of the case, could be but temporary. Others, in self-defence were necessarily compelled to follow the pernicious example, until the practice became general. But for this practice this large sum would naturally lie as deposits in New York banks from their correspondents throughout the country, held here for the purposes of exchange. They are now expelled from their natural commercial resting place, and their true position is actually reversed.

THIRD. There is still another subject of solicitude with which we are all daily familiar. I allude to the reception of *checks of large amounts*, drawn upon banks which particularly deal with *brokers and operators in bonds and stocks*. The sums represented in such transactions, by the nature of the business, are of great magnitude. The custom has become established of pivoting the operations of the Brokers' Board through the banks by expressing and accounting for their money value in detail, thus making it necessary to draw upon banks the immense total that is passed from hand to hand. They give rise to checks in sums greatly disproportioned to the capital of banks which keep such accounts, and are the occasion of constant embarrassment to bank officers, who desire to treat their associates in the Clearing-House and their own dealers with generous confidence, and mean at the same time to avoid extraordinary risks. The effort has been partially made to conduct this business by a Clearing-House arrangement where shares, not money or checks, and only balances resulting from them are thus paid; and it is the earnest desire of bank officers that this effort should be accomplished. I believe that the experiment, if seriously attempted, can be made successful to the satisfaction of brokers, the relief and safety of the banks, and the good of the community.

The present mode of conducting the transactions of the Stock Exchange adds enormously, and I believe unnecessarily, to the daily volume of business in the Clearing-House, increases the risks of the exchanges between banks, and expresses a false idea of the commerce of the country.

These, Mr. Chairman, are *three* most important reforms. Their adoption will remove all cause of alienation and distrust between the banks and members of our fraternity, will unite us together for greater efficiency and mutual protection in doing the public business, and will make the Clearing-House Association a power for good and a tower of strength in the nation.

Our country needs a reliable, ultimate financial resource in time of trouble, such as every other commercial nation in the world enjoys. Here it may be secured, without the danger, which is always apprehended, from any single colossal institution. Each one acting independently, yet all restrained by honorable agreement, the sixty or seventy banks composing this Association, already possess the power to supply, if they will, this long-felt defect in the American commercial system; and that, too, not by any deliberately formed legal or corporate organization, more complete than we now possess, but by the simple voluntary adherence to sound and self-evident principles of business, using our freedom to do right. These considerations must appeal to every man of common justice and common sense. I present them to you now in the belief that the peculiar circumstances which have called us together, will secure for them the most serious attention and cordial assent.

After further discussion, the resolution offered by Mr. Coe, was unanimously adopted and referred to a committee of five members, to consider and report to the Association.

The Chairman subsequently appointed the following as that committee, viz : George S. Coe, President American Exchange National Bank; George H. Potts, President National Park Bank; O. D. Baldwin, President Fourth National Bank; John J. Knox, President National Bank of the Republic; R. L. Edwards, President Bank State of New York.

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## LETTERS TO BANKERS—BY A RETIRED OFFICIAL.

[FROM THE SCOTTISH BANKING AND INSURANCE MAGAZINE.]

### NO. III.—TO THE TELLER.

MY DEAR SIR,—Until you obtained your present promotion, your duties in the bank had been useful but unobtrusive. You had artistically wielded the paste-brush. You had labored like Sisyphus at the copying-press, and you had summed the cash-book with a precision excelling, it may be, even Babbage himself, but all the time the great public were as ignorant of your toil as, until taught by Darwin, we all were of our slim but heroic relative, the earth-worm. No longer, however, is such honorable obscurity your lot. Removed from the back shelves, you are now stuck in the window, and to the large section of the community, which does not require advances, you are become *the banker*.

After long experience of the work, I can confidently say that the post of teller is the lightest and least irksome which the service offers. The merely mechanical part of your duty stresses your intellect no more than would the hammering of carpet tacks, and whenever your cash is balanced your responsibility is over. No arrears of work are possible, and the whole day is enlivened by a constant stream of fresh faces and somewhat scrappy conversation.

Yet there are diverse ways of performing even the most mechanical task, and it is worth some trouble to acquire an easy style of dealing with cash. How pleasant it is to see a really expert teller counting a bundle of notes! More quickly than the eye can follow do they flutter over, and with a pleasant click each *remains* over until the parcel is done; while you see his neighbor, the clumsy man, making spasmodic jerks that threaten the dislocation of his right thumb, and every few seconds a despairing clutch with the fingers of his left hand to hold down the only half-conquered notes. The art in its perfection is easy to learn, valuable to use, and yet wofully uncommon.

All this, however, is child's play, and all your work proper could be as well done by an apprentice of a couple of years' standing. What you have been selected for, and what you are paid for on a scale of at least *comparative* munificence, is that you may worthily represent the bank, and meet its clients in a uniformly becoming manner. This as a body you do, but there are unfortunately many exceptions, and we find men at the counter who are remarkable neither for their good looks nor their smartness, whose only strong points are an overwhelming sense of their own

importance, and a marked resolution to do as little work as they can.

Like all other evil things, bad habits at the counter begin small and grow upon a man, and it may tend to check this beginning if I refer to a few of the more common faults.

Be smart and active, but don't try to do everything at once. Some zealous tellers remind one of an octopus with his countless arms. Cheques are flying through one hole, and pass-books through another; discounted bills are shouted for, and drafts are thrown over the counter (often to the wrong person); a half-taken payment is laid aside and another begun, until the spectator is in a state of vertigo, and dare scarcely hope that order will ever come out of the confusion. Depend upon it, this system does not, on the whole, turn out a success. Errors often of a serious and inexplicable kind are bound to happen, and more than this, the quiet orderly man has always a bigger book at the end of the day.

Do your share of the work honestly. Some people's payments are much pleasanter to take than others, and it is very easy to be intently summing your book when you see such people enter, so that they may go to some of the other tellers, but don't do it. It is unfair, and the shallow pretext being easily seen through, the man who attempts it often does not rise in the estimation of his fellows.

Speak intelligibly to the customers. To persons who are in the habit of frequenting banks, the phrases "long or short," "How will you have it?" pronounced "Howlyavit?" or "singles," convey a clear meaning, but to country people and the majority of ladies you might as well shout "Abracadabra." Yet many a time have I seen tellers vastly irritated at the non-comprehension of their cabalistic question.

Don't forget that many things now quite clear would at one time have temporarily perplexed even yourself, and don't show too clearly your surprise that a non-mercantile mind does not at once grasp the full scope of your explanation about collecting charges or other matters.

Be gentle and courteous in manner. Don't throw down a cheque to be endorsed as if you were Ivanhoe at the shield of Brian de Bois Guilbert, and order your customers (or their representatives) as if you were the aforesaid Norman and they were Saxons. A quiet request with reason assigned is just as easy and infinitely pleasanter.

Don't fear to admit the possibility of error on your own part. You are only mortal and fallible like other men, and refusal to accept evidence will deceive nobody. It might save you half-a-crown one day, and quite as likely cost you £10 the next.

Write up your book decently. The most illegible scrawl with a figure at the end may serve *your* purpose, but it is unfair to make the clerks behind spend their time deciphering scrawls that rival in obscurity the legends on Cleopatra's Needle.

For the bank's sake, never show that you are idle. An outpost sentry would not carry a banjo to fill up odd moments, but would rather look well to his gun and accoutrements, and any spare time you may have would be better spent in almost any way than in reading the newspapers, or visibly lounging, thus proclaiming scarcity of business.

And above all things cultivate patience, for you *need* it. I know

them all—the woman who does not know what she wants—the man who gives you his business in a number of separate items, all of which could have been carried through together in a tithe of the time—the customer who is always wrong and scarcely believes it—the merchant who sends you his week's collection on your busiest day—and the boy who rushes in just at closing time with a confused mass squeezed anyhow into a bag.

If you look fairly at it, you will find some excuse for each, and whether or not, you should bear in mind that the prosperity of the bank is largely dependent on the impression which you as its visible representative make.

The counter is a *test place*; you are not unnoticed there by your superiors; and you may depend upon it that the man who in face of some difficulty shows himself to be genial, active and popular, will stand very high in the list when a more important post is open.

## MATERIAL ALTERATION OF A NOTE.

SUPREME COURT OF INDIANA.

*Nicholson v. Coombs.*

The material alteration of a promissory note, made at the instance of the payee and without the knowledge of the maker, releases the latter from all liability on the note. The addition to an instrument of the name of a party, as maker, is a material alteration of it.

The word "executed," as used in an answer, charging that the note sued upon was materially changed after it had been "executed and delivered," implies a complete and perfect contract.

ELLIOTT, J.—To the complaint of appellant, charging that the appellees, William C. Coombs, Richard F. Nugent and David S. Koons, executed to him the promissory note sued on, the appellees, Coombs and Nugent answered separately. The answer of the former is, omitting formal parts, as follows: "That after he and his co-defendant, Richard F. Nugent, had executed and delivered the note sued on herein, and without the knowledge or consent of this defendant, the plaintiff procured David S. Koons to subscribe the said note as one of the makers thereof."

It is urged that the answer is bad, for the reason that it does not aver that the name of Koons was added after the note was completed. This position is not tenable. The word executed implies both a signing and delivery, and a signed note duly delivered is a complete contract. In a legal sense the word execute includes delivery and implies a complete contract. *Graham v. Graham*, 55 Ind. 23, *vide* 28; *Prather v. Zulauf*, 38 Id. 155.

It is settled law in this State that the material alteration of a promissory note made at the instance of the payee, and without the knowledge of the maker, releases the latter from all liability on the note. *Hert v. Oehler*, 80 Ind. 83; *Bowman v. Mitchell*, 79 Id. 84; *Monroe v. Paddock*, 75 Id. 422. It is also firmly settled that the addition of the name of a party as maker is a material alteration of the instrument. *Harper v. The State, ex rel.*, 7 Blackf. 61; *Henry v. Coates*, 17 Ind. 161; *Bowers v. Briggs*, 20 Id. 139; *Bigelow on Bills and Notes*, 579. The answer was unquestionably good. The answer of Nugent is the same as that of Coombs, with the

exception of a change in names, and the questions arising upon it are, therefore, disposed of by what has been said in considering the latter's answer. There was testimony showing that the note sued on was signed by the appellees; that it was accepted by the appellant, and, that after this had taken place, the latter, without the knowledge of the former, procured Koons to sign as a maker; it cannot, therefore, be said that the finding of the trial court is not sustained by the evidence. After the signing and delivery of the note, the appellees could not recall it nor the appellants change it. From that time it became a complete and perfect contract. The silence of the makers vested no authority in the payee to procure an additional signature to the note. The delivery of the note closed the contract, and it was the duty of the appellant to have kept it unchanged.

Judgment affirmed.

The above case, which was reported in the *American Law Register*, was followed by an excellent review of the authorities relating to the subject by W. W. Thornton.

Any material alteration of a bill of exchange or promissory note without the consent of the drawer or indorser of the one, or maker of or surety upon the other, vitiates it. No suit can be maintained upon it as it is after its alteration, for as such it was never executed, nor upon it in its original form, because, as originally executed it is no longer in existence. Upon this all the writers and authorities upon this subject agree; the only difference in them is as to what constitutes a material alteration. *Ames, N. & B. 434-447*, and note 1; *Story on Promissory Notes*, 545 (6th ed.); *Bridges v. Winters*, 42 Miss. 135; S. C. 2 Am. Rep. 598; *Falmouth v. Roberts*, 9 M. & W. 469; for all agree that an immaterial alteration (2 *Parsons N. & B. 544*; *Bachelor v. Priest*, 12 Pick. 399; *Hubbard v. Williamson*, 5 Ired. 397), or one that does not change the legal effect of the bill or note, is not such an alteration as will render it void. *Granite Railway Co. v. Bacon*, 15 Pick. 239; *Johnson v. Heagan*, 23 Me. 329; *Smith v. Smith*, 1 R. I. 398; *Reed v. Roark*, 14 Texas 329; *Pars. N. & B. 568*.

In an early English case it was held that where a joint and several promissory note was made by several parties concerned in a joint undertaking, for the purpose of securing repayment of a loan, and one of the parties signed it several days after the party did who borrowed the money, the note did not require an additional stamp if it was signed before the money was paid, but if it was signed after the money was paid an additional stamp was necessary. *Ex parte White*, 2 Deac. and Chit. 334. The note was here treated as a valid note, although an additional name was added to it without the consent of the original maker. *Clerk v. Blackstock*, 1 Holt. N. P. 474, decided nothing more than this, as a careful analysis reveals.

In *Catton v. Simpson*, 8 Ad. & El. 136, it was held that an additional party signing without a stamp was not bound by his signature, and that the alteration, therefore, was not material. In that case the original note was signed by a principal and surety, jointly and severally, and the new name was procured by the principal for an extension of time. The original surety paid the note and sued his principal for the money paid to his use. The principal defended on the ground that the payment was voluntary, because the surety

had been discharged by the alteration and had no right to pay the note; but his defense was rejected.

In *Gardner v. Walsh*, 5 El. & Bl. 83, a principal and surety made a joint and several promissory note, and a second surety was added after delivery, without the knowledge or consent of the first. It was held that the first surety was discharged by the alteration, and the opinion was expressed by the court that *Catton v. Simpson*, *supra*, was not law. In *Aldous v. Cornwell*, L. R. 3 Q. B. 573, *Catton v. Simpson*, *supra*, is cited as an authority on the point that an alteration will not vitiate a note unless material, and the case of *Gardner v. Walsh*, *supra*, was referred to merely to say that it only overruled the former case on the question whether such an alteration as that passed upon was material. The court was somewhat severe in condemning the earlier cases that paid no attention to the materiality of the alterations.

It has been also held in England that if a third party, after its execution, signs a note upon the face of it with the intention of becoming an indorser, and for that purpose only, it does not render the note void. *Ex parte Yates*, 2 De G. & J. (Ch.) 191. So, to a declaration upon a note accepted, payable to the order of L, and by him indorsed to the defendant, and by the defendant to the plaintiff, a plea that the bill was, after the indorsement by the defendant, materially altered, without his consent, by the insertion of his name as an indorsee prior to the defendant's indorsement, was held bad, as the alteration did not vary the nature of the instrument, but was a mere correction of a mistake which gave the instrument the effect which it was intended to have. *London & Provincial Bank v. Roberts*, 22 W. R. 402.

In three cases, decided at an early day in Kentucky, it was held that the name of an additional surety placed upon a note without the prior surety or maker's consent vitiated the note. *Bank of Limestone v. Penick*, 2 T. B. Mon. 98; S. C. 15 Am. Dec. 136; *Bank of Limestone v. Penick*, 5 T. B. Mon. 25; *Shipp v. Suggett*, 9 B. Mon. 5. The principle said to be involved in these cases was the same as in the case of the alteration of a deed; in one, after the alteration, it was not the deed of the grantor, in the other, not the note of the maker. The same point was decided in other Kentucky cases; and it was said, if the maker assented to the changed condition of the note at any time after it was so changed, it was a binding obligation upon him; and a jury was authorized to find such assent upon very slight evidence. *Payne v. Withers*, 8 Dana 98; *Lilly v. Evans*, 3 B. Mon. 417.

Some cases have sought to draw a distinction as to the time at which the additional name is affixed to the note. Thus, where a note had been signed by the defendant as a joint principal and intrusted to his associate, it was held that he gave his principal implied authority to obtain either additional sureties or joint makers, indefinitely, until the note was fairly launched in the market as a security. It was said that the rule was the same if the defendant had signed only as a surety. *Keith v. Goodwin*, 31 Vt. 268; *Hall's Adm'x v. McHenry*, 19 Iowa 521. In the case last cited it was held that if the holder took the note with notice of the adding of the additional name, the note was void. The same doctrine has been declared in other Iowa cases: *Dickerman v. Miner*, 43 Iowa 508; *Hamilton v. Hooper*, 46 Id. 515.

So in Wisconsin it was said that a note signed in blank by one person, as maker, for the accommodation of another to whom it

is delivered, and afterward signed by a third person as joint maker, would probably be void in the hands of one who takes it with knowledge that, at the time of executing it, the first signer expressly stipulated against a further signature; but where the note, when signed by the maker contained, among other blanks, one for words making it a joint or several obligation, and was delivered to the person for whose accommodation it was made, without any express stipulation against further signatures, it was held to have authorized such persons to procure it to be signed by other parties or joint makers with the first. It will be observed that this case turned upon a question of agency, as the court stated, and not upon the alteration of the note. Proof of the fact that there were blanks left in the note, was held a sufficient establishment of the agency to fill them up. *Snyder v. Van Doren*, 46 Wis. 602. The Iowa cases decide, in fact, nothing more than this Wisconsin case. It was only a question as to whether the defendant had authorized the procuring of additional signatures by his action.

In Ohio it was held that the signing of a note by a stranger, after its delivery, vitiated it; it is said, however, that if he signed it as a surety it would not have avoided it. It is difficult to see the ground for such a distinction. *Wallace v. Jewell*, 21 Ohio St. 163.

One of the Iowa authorities cited, held that where a note had been fully issued and delivered to the payee, the addition of another maker, at the instance of the payee, and without the knowledge of the other maker, operated as a discharge of the latter, *Hall's Adm'r v. McHenry*, 19 Iowa 521. It was so held in Indiana, *Bowers v. Briggs*, 20 Ind. 139. So where C, member of the firm of C & Co., obtained an accommodation indorsement to his individual note, and then added "& Co." to his signature, thus making it his firm's note, it was held a material alteration, and to vitiate the note. *Haskell v. Champion*, 30 Missouri 136. In an Indiana case the court decided that an additional surety discharged the maker, and said: "It is idle to say that the defendant was not injured by the addition of another name as maker of the note. The character and identity of the instrument indorsed by the defendant was changed by the alteration. The alteration left in existence no instrument indorsed by the defendant; that instrument was destroyed." *Henry v. Coates*, 17 Ind. 161; *First Nat. Bank of Springfield v. Fricke*, 13 Rep. 727. The Kentucky cases, as observed, were decided upon the same principle here announced.

The Supreme Court of Michigan refused to follow the authority of the Indiana and Kentucky cases. It was there held that the principal in a note is not injured in any way by having the name of a surety added without his consent, and such addition does not invalidate the note. The court said: "It is very difficult to see how such a change can affect him in any way; it is a mere technicality which neither changes, increases or diminishes his liability. Where there is no surety the principal is liable to be sued severally and made to pay the whole debt, if he has any property liable to execution. His liability on a joint judgment is precisely the same. His property is primarily liable, and if he has enough to pay the judgment, and it is paid by him, or out of his property he has no further concern with the surety, or he can have no right of contribution for his own debt. The fact that he may not pay does not in any way affect the nature or extent of his judgment obligation. A surety may, perhaps, in some cases, be

injuriously affected by an addition to the number of sureties, where there is more than one already; as, in the case of the bankruptcy of any of them, his obligation to pay may be increased, and his right of contribution against co-sureties diminished by the change. But, as the principal is bound to pay the whole debt without contribution, his liability cannot possibly be changed by the addition of sureties." *Miller v. Finley*, 26 Mich. 249. So a like decision was rendered in Alabama, though it was admitted that the identity of the note was destroyed." *Montgomery Railroad Co. v. Hurst*, 9 Ala. 513. In California where a draft was delivered to S for the plaintiff, and S altered it, it was held, in the absence of proof, that the plaintiff authorized the alteration, and it did not vitiate the draft. *Langenberger v. Kroeger*, 48 Cal. 147. See *Vance v. Collins*, 6 Cal. 435.

So in New York, where the payee of a note, without the knowledge or consent of the maker, procured a third person to sign her name to the note as a co-principal, and before its maturity it came into the hands of a *bona fide* purchaser, for a valuable consideration, without notice, it was held that the purchaser was entitled to recover against both of the defendants, and that the addition of the name was not a material alteration of the note, and did not render it void as to the original maker. *Card v. Miller*, 1 Hun. 504. The only distinction between this and the Michigan case is, that the holder was an innocent indorsee for value in the former, without notice of the alteration, while in the latter he was regarded as a holder with notice. In another New York case it was held if the holder of a note, without an indorser's knowledge or consent, procure a second name to a sale note, for the purpose of adding to their security, such alteration is an immaterial one, and does not affect the indorser's liability. *McCaughy v. Smith*, 27 N. Y. 39. This case goes as far as the Michigan case, and is followed by another announcing the same doctrine. *Brownell v. Winnie*, 29 N. Y. 400. But the last case cited is clearly distinguishable from the case in Hun's Reports, upon the ground that in the latter the person making the alteration alone defended, while in the former the original maker defended. There is no doubt that the person making the alteration is estopped to deny his liability upon the note. *Cobb v. Titus*, 10 N. Y. 198. In another New York case it was held that an additional signer was jointly and severally liable with the maker to a holder of the note, and judgment was allowed against both as joint makers. This was a case where the payee sold the note, and to secure the sale signed it at the request of the purchaser. *Partridge v. Colby*, 19 Barb. 248.

Two other New York cases are to be noticed. They are *Chapell v. Spencer*, 23 Barb. 584, and *McVean v. Scott*, 46 Id. 379. These have been frequently cited as authorities, but were expressly overruled in *Card v. Miller*, 1 Hun. 504. In the former it was held that the writing of the payee's name by himself, as surety, under the maker's name, was a material alteration. The latter case was similar to *Partridge v. Colby*, *supra*.

Of course, consent to the adding of a name may be given, as elsewhere stated, and the administrator may consent to such change in his intestate's note, so as not to release the estate. *Voiles v. Green*, 43 Ind. 374. And if a purchaser of a note, before purchasing it, exhibits it to the maker, and is assured by him that he has no defence to it, the latter cannot afterwards assign as a defence that previous to the purchase the note had been altered by the



addition of a new name. *Voghn v. Ferrell*, 57 Ind. 182. So, if the alteration is made and the note afterwards restored to its original condition, with the approval of the maker, this will amount to a ratification, and the maker will be held liable. *Collins v. Makepeace*, 13 Ind. 448. So, in a similar case it was held not necessary to the validity of a note that it should be ratified, as where the additional name had been erased: "because such erasure was no alteration of any contract that Loring ever made, for it neither altered the note as it was when Loring indorsed it, nor as it was when it first became available as a security." *Whitmore v. Nickerson*, 125 Mass. 496.

In *Monson v. Drakely*, 40 Conn. 552, after delivery, a party signed a joint and several note of the maker and two sureties as surety; no question of alteration being raised, the court held that he would not, unless in pursuance of an arrangement at the time of the execution or delivery, become a joint promisor or maker, and that the subsequent undertaking was independent of, and collateral to, the original; but the surety so signing was bound for contribution to the original sureties. In a like case it was held that such subsequent undertaking upon a new consideration was a new and independent contract, not requiring the consent of the original promisor. *Stone v. White*, 8 Gray 589. The Iowa cases adopted this doctrine. *Dickerman v. Miner*, 43 Iowa 308; *Hamilton v. Hooper*, 46 Id. 515. But there must be a consideration for such signing, and unless there is the additional surety or maker will not be bound. *Brigg v. Downing*, 48 Iowa 550; *Tenney v. Prince*, 7 Pick. 243; S. C. 4 Id. 385; *Clark v. Small*, 6 Yerg. 418; *Green v. Shepherd*, 5 Allen 589.

A promissory note, payable to and at a certain bank, was signed by A and B, the former being the maker, the latter his surety, and delivered by A for a valuable consideration to C, who, for the purpose of having it discounted for his benefit at the bank—it having been prepared by A and B with that expectation—signed the note as maker, without the knowledge or consent of B, upon the requirement of the officer of the bank, but with the express agreement with such officer that he did so as surety or guarantor to the bank for both the other makers, and not as joint surety with B. After maturity the bank sued A, B and C upon the note; C was "not found," and judgment was rendered against A and B by default, upon their failure to appear. C paid the bank the amount of the judgment under promise by the bank to assign it to him. It was held that the signing by C was not such an alteration of the note as rendered it void as to B, that C was a co-surety with B, and that C was entitled to an execution for his benefit on the judgment against A and B; and A having become insolvent such execution was properly levied for the whole amount thereof upon the property of B. *Browser v. Rendell*, 31 Ind. 128. The court relied upon the fact that A and B failed to make a defence on account of the alteration of the note when the judgment was rendered, and could not raise that question on a suit to enjoin the collection of the judgment, although they construed it as an immaterial alteration. And where a note had been signed by the maker and one surety, and delivered, and afterwards a second surety signed it without the consent of the maker or first surety, it was held that the second surety could not plead the alteration of the note. "We know of no authority whatever in support of the proposition that the appellant's (the second surety) alteration of the original

note by his own execution thereof, would, of itself, avoid such note as against the appellant." *Crandall v. First National Bank of Auburn*, 61 Ind. 349. The court added, in substance: It may be true if the facts pleaded as a defence had been pleaded by the first surety, they "would have constituted a good and sufficient defence in his behalf." In Michigan, where one of two joint makers obtained of the payee an extension of time, and procured an additional surety, it was held not to discharge the other maker, though, as between the makers, the latter claimed to be surety only, the payee having no notice of such relation. *Gano v. Heath*, 36 Mich. 441. Under the Indiana cases it is evident that the co-maker would have been held to have been discharged, upon the ground that the evidence of the indebtedness was changed. The case just cited is in consonance with the other Michigan case. *Miller v. Finley*, *supra*. If a special indorser's name is incorrectly spelt, and when he indorses it over he writes it correctly, this does not amount to material alteration. *Leonard v. Wilson*, 2 Crompt. & M. 589; 4 Tryw. 415. Adding the name in full, of a firm, to a bill drawn by them in the firm's name, is not a material alteration, being in effect only the adding the Christian name of the drawer, whose surname had been affixed to the bill before acceptance; and so much the law supplies. *Blair v. Bank of Tennessee*, 11 Humph. 84.

So, where a firm did business under the style of A, B & C, and also as the Providence Steam Pipe Co., a note was payable to the firm by the latter style of name, which was indorsed by a surety, and afterwards altered by the maker and payee without the knowledge of the surety so as to be payable to the same firm under the style of A, B & C, the alteration was held to be immaterial, and not to discharge the surety. *Arnold v. Jones*, 2 R. I. 345.

A case somewhat similar to *Bowen v. Rendell*, *supra*, was decided at an early day in New York. There the holders of a note, in order to get it discounted, signed their own names as makers, in addition to the rest—the note being joint and several—and afterwards paid it, it was held that they thereby lost no rights, and were authorized to sue it on themselves, or transfer it to others. *Muir v. Demaree*, 12 Wend. 468.

If the signing of a note be attested by witnesses, and the Statute of Limitations has a longer time to run than on a note unattested, then the attestation of such a note not before attested, by a person who was not present at the signing, is a material alteration of the contract and destroys its validity. *Brackett v. Mountfort*, 11 Me. 114; *Smith v. Dunham*, 8 Pick. 246; *Homer v. Wallis*, 11 Mass. 309. But where only one witness was necessary, and a second witness afterwards put on his name, it was held not to alter the effect of the note, and so did not render it void. *Ford v. Ford*, 17 Pick. 418. If the attestation is added at any time before the note was negotiated, it will be presumed to have received the consent of the maker. *Eddy v. Bond*, 19 Me. 461. If two witnesses are necessary to change the effect of an unattested note, and a note after its delivery, and without the consent of the maker, is attested by two witnesses, the ratification of the subscription by one only of the two witnesses does not cure the attestation. *Hennings v. Wurkheiser*, 8 Pa. St. 518. The following cases further illustrate the irregular attestation of notes: *Thornton v. Appleton*, 29 Me. 298; *Marshall v. Gougler*, 10 S. & R. 164; *Rollins v. Bartlett*, 20 Me. 319; *Rape v. Westcott*, 3 Harr. 244; *Adams v. Frye*, 3 Met. 103; *Willard v. Clarke*, 7 Id. 435; *Miller v. Gilleland*, 19 Pa. St. 119.

This review of the cases shows that they are not, by any means, harmonious as to the result of adding an additional name to a note without the consent of the parties liable to pay it. Some cases regard such addition a material alteration, and, therefore, hold that it avoids the note upon the same reason that an additional name to a deed or instrument under seal, avoids such deed or sealed instrument. Other cases hold that while it is a material alteration, it is not sufficient to release the original sureties or makers, while other cases regard it as an immaterial alteration, and, consequently, no release of maker or surety. The last two classes hold that such alteration in no way increases the liability of the maker or surety; the maker cannot object to the additional name, because he must ultimately pay the note under any circumstances; and the surety cannot object, because some one is willing to share the risk with him.

Not one of the cases presents a state of facts where, besides the maker, there are *two* or more sureties upon the note at the time of signing by the additional maker or surety. In *Miller v. Finley*, *supra*, there is a statement that the adding of an additional surety would probably release the prior sureties, as in the case of contribution, such addition would have the effect to increase the liability of the sureties instead of decreasing it, if one or more sureties were to become insolvent. It is evident that, following out the reasoning of this case to its legitimate end, the addition of a maker's name could not be urged as a release of the sureties, where there were two or more, because no question of contribution could possibly arise. If we regard the additional name as one of the makers of the note where there were two or more prior makers, and that they have a right to compel each other to contribute, it is clear, in case of the bankruptcy or insolvency of any one of the makers, that the liability of the remaining parties is increased by such additional name. But the addition of such additional maker, in such a case, would not increase the liability of the two or more sureties; it would, in fact, be for their benefit, and, under the reasoning of those cases which hold that there is no release unless an actual injury is sustained, it would not work their release.

As to the other point raised in the principal case. In *Prather v. Zulauf*, 38 Ind. 155, it is said that the "delivery of a note is the final act of execution." See *Ketcham v. New Albany, etc., Railroad Co.*, 7 Ind. 391. In the case of *Bagley v. McMickle*, 9 Cal. 430, it was said that "the term 'has executed unto,' when applied to instruments of writing, imparts both making and delivery." See *Funnece v. State Mutual Life Assurance Co.*, 101 Mass. 279; *Walbridge v. Arnold*, 21 Conn. 425; *State v. Young*, 23 Minn. 551.

So, in Michigan, where a rule of court did not require proof of the execution of the instrument to be made unless denied under oath, it was said: "Execution can only refer to the actual making and delivery, but it cannot involve other matters without enlarging its meaning beyond reason." *Freeman v. Ellison*, 37 Mich. 459.

Where an answer alleged that the defendant had "executed" the note sued on, but had never "delivered" it, it was held that the word "executed" was, as used, synonymous with the word "signed," and that the answer, fairly construed, meant that the notes were signed but not delivered. *Ricketts v. Harvey*, 78 Ind. 152.

With reference to a deed, the word "execution" "means that it has been delivered, as well as signed and sealed." *Gaskill v. King* 12 Ired. 221.

W. W. THORNTON.

## BOOK NOTICES.

*A History of the Bank of New York, Compiled from official records and other sources at the request of the Directors.* By HENRY W. DOMETT. G. P. Putnam's Sons. 1884.

Elsewhere we have noticed the above work, and given some account of the bank itself. Last year a similar work was published by the Bank of North America, Philadelphia, and a few years ago the Suffolk Bank of Boston did the same thing. Each of these institutions has had a history which is worth giving to the world. It is not simply a history of money-making, nor of aiding business, but it is a moral history also, of faithfulness to employers, to depositors, stockholders, and to others. The record here given to the world is worth much; it is one of the proofs of the goodness that is in the world. Discord, confusion and wrong-doing are far more noisy than goodness, which is perceived only by a few. The Bank of New York for a hundred years has been aiding men engaged in business, it has been a very profitable enterprise to its owners, and during all that period it has been setting forth unobtrusively the virtues of honesty and efficiency, which cannot be measured by money-dividends. Mr. Domett has produced a very readable volume, which has been enriched with fine engravings of the leading officers of the bank, and of the several buildings occupied by it since the beginning. The work is beautifully printed, and reflects much credit on all concerned in the enterprise.

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*A Short Tariff History of the United States from the Earliest to the Present Time. Part I. 1783 to 1789. With a Preliminary View.* By DAVID H. MASON. Published by the Author. Chicago. 1884.

IN this brief work of 157 pages more light has been thrown on the origin of the doctrine of protection than can be found in all the works ever written pertaining to the subject. Mr. Mason is well known as a devoted friend of the doctrine; he is also a sincere lover of truth and unwearied in his researches after it, and we shall wait impatiently for other installments of his work. On a future occasion will be given a more detailed account of the part now before us. To our free trade friends who are fonder of dreams and logic than of the sober and golden truth of history this little volume is recommended.

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*Sixth Report of the Bureau of Statistics of Labor and Industries of New Jersey.* By JAMES BISHOP. Trenton. 1884.

Within a few years a great advance has been made by the States in collecting statistics relating to labor. The volume before us contains a great deal of useful information; indeed no other State report of the kind, except that of Massachusetts, is so excellent. The head of the Bureau, Mr. Bishop, like Col. Wright of Boston, evidently has a genuine love for his work, and is performing a good service.

*United States Notes. A History of the Various Issues of Paper Money by the Government of the United States.* By JOHN JAY KNOX. New York: Charles Scribner's Sons. 1884.

This is a welcome addition to the meager literature pertaining to the history of National finance. In a volume not greatly exceeding two hundred pages the author has given a very interesting and accurate account of the various issues of paper money by the National Government. The work is strictly a history, and not a record of the author's theories or opinions. The subject is very important, and since the United States Supreme Court has finally settled the constitutionality of the legal tender legislation, we are likely to hear much in the near future concerning the issue of Government notes. In the discussions that will arise the history of what has been done is valuable, and Mr. Knox has now rendered the labor of ascertaining our National experience easy. In his preface, Mr. Knox says that he has been collecting material with the hope of publishing at some future day a volume on the history of banking in this country. Such a book would be very useful, and we trust that the reception accorded to the present work will tempt him to pursue his literary labors. We know of no one who would bring to the undertaking greater zeal and industry.

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*Statistics of the American and Foreign Iron Trades for 1883. Annual Report of the Secretary of the American Iron and Steel Association.* JAMES M. SWANK, Secretary. Philadelphia: The American Iron and Steel Association. 1884.

The value of these annual reports is widely known among all who are interested in the production and sale of iron and steel and other metals. It is the most comprehensive and valuable publication pertaining to the subject in this country. The review here presented is a depressing one, for the report deals with facts and not fancies. Production in several branches has not greatly declined, but the shrinkage in prices has been large and general. The Secretary remarks in his general review: "We are glad to be able to add that wages were not greatly reduced, and that such reductions as it was found necessary to make met with little resistance; nor were many workmen discharged because there was nothing for them to do. All in all, the past year was not a year to be pointed to hereafter as one of general disaster to our iron and steel industries, nor of panic, nor of overloaded markets, nor of serious decline in consumption, nor of sudden collapse in prices; but it was, nevertheless, a year of only moderate prosperity, even of less prosperity than its predecessor had brought, and as such it must pass into history."

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*Refusing its Own Coin: A Protest Against Repudiating United States Coin—even Trade Dollars.* By JAMES C. HALLACK, Jr., M. D. Brooklyn: Published by the Author. 1884.

The title adequately sets forth the nature of this little work. The author has studied the question thoroughly, and many interesting facts are given. He declares that members of Congress who are to be elected next autumn, should be pledged to support two measures: first, "to prohibit the refusal of the United States coin by the Treasury; and, second, to prohibit the further coinage of standard silver dollars.

*The Work of a Social Teacher; being a Memorial of Richard L. Dugdale.*  
By EDWARD M. SHEPARD. New York: The Society for Political Education. 1884.

This brief paper is a warm and just tribute to a very worthy man. It is issued as one of the regular tracts of the Society, in the belief that it will directly serve the cause of political education by showing how much good one man, working against many disadvantages, may do even in a short life, and by inspiring others to do their part in the kind of work to which he gave his life.

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## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

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### I. RESPONSIBILITY FOR COLLATERALS.

In the event of burglary, is a bank responsible for the loss of collateral securities when it takes of them the same care that it does of its own valuables?

REPLY.—No, provided the care used is such as an ordinarily prudent man usually bestows upon his own property of a like nature under like circumstances. In other words, it is not enough to relieve it from responsibility, that the bank takes the same care that it does of its own valuables, for it may not take proper care of them. It is bound, in the words of the law books, to use ordinary diligence in the care and custody of the collaterals left with it; and whether it has used such diligence may be a question for the jury in each particular case. Of course the fact that it has taken the same care of the collaterals that it did of its own valuables, if both are lost by the same burglary, may furnish, *prima facie*, a presumption of ordinary diligence on its part. The inquirer will find the subject discussed and the recent cases on the subject collected in Leonard A. Jones' work on Collateral Securities §403 *et seq.*

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### II. POWERS OF A NOTARY PUBLIC.

In a town located on the boundary line between two states there are three banks, two in one state and one in the other. Has the notary of the bank in one state the right to present and protest for non-payment checks and notes payable at a bank located in the other state?

REPLY.—No. The authority of the notary is confined to the limits of the state from which he receives his commission as notary. Any act done by him outside of those limits is the act of a private individual. Of course, as a private individual, he may be authorized to present for payment, at a place outside of his jurisdiction, a promissory note, or other instrument not requiring a regular protest, and to give notice of its non-payment; but his protest, as a protest, would be of no effect, and his notarial certificate of protest would be no evidence of the facts stated in it, because it would be a mere statement of facts done out of his jurisdiction, as to which he would only act as a private individual.

## III. NOTES DRAWING INTEREST DUE ANNUALLY.

In case of non-payment of interest *annually* as provided, must a note drawn as follows be protested in order to hold the indorser liable for the interest.

\$5,000,

NEW YORK, July 1, 1883.

Five years after date I promise to pay to the order of John Dakin, Five Thousand Dollars, at the State Bank, Chatham, N. Y., *with interest annually.*

JOHN DOE.

REPLY.—Protest is unnecessary. Where a note is payable in installments, whether of principal or interest, an action may be maintained by the holder against all parties liable upon the note for each installment as it becomes due. *Oridge v. Sherborne* 11, *Meeson & Welsby* 374, *Cooley v. Rose* 3 Mass. 221. Between an installment of principal and of interest there are, however, in other respects marked differences. An installment of principal bears grace, is subject to protest and notice to indorsers, and non-payment of it is a dishonor of the whole note, which puts it at once in the category of overdue paper. But, as is said by the Supreme Court, of Massachusetts, in the case of *National Bank of North America v. Kirby*, 108 Mass. 501, "in its effect upon the credit of a note, it is manifest that a failure to pay interest is not to be ranked with a failure to pay principal. Interest is an incident of the debt and differs from it in many respects. It is not subject to protest and notice to indorsers or days of grace according to the law merchant. Interest is not recovered on over-due interest, and the statute of limitations does not run against it until the principal is due. The holder of a note with interest payable annually loses no rights against the parties to it, whether makers or indorsers, by neglecting to demand it; and he has the election to do so, or wait and collect it all with the principal."

## IV. INDORSEMENT OF CHECKS.

I have a controversy with certain banks, and was referred to you for a decision of the matter. I am General Agent of a life insurance company. My business and bank business, *i.e.*, my bank account, I do, under my proper name, A. L. R. Checks or indorsements of checks are given me and received by me, made to A. L. R., General Agent of the ——— Company, which I indorse with my name only as A. L. R., which our banks refuse to accept, claiming that I must sign the stated qualification to my name. I hold such to be unnecessary; and the signing of my name, doing my business (*i.e.* keeping my bank account) under my proper name, A. L. R., duly to be sufficient and legally so to all intents and purposes. I have consulted legal advice here and find myself sustained, while all the banks hold to the contrary.

REPLY.—The requirement of the paying banks is in accordance with the general custom of bankers. It may be technically true in this case, that a check payable to "A. L. R., General Agent &c.," is not payable to the company of which he is agent, but is payable to A. L. R. as an individual, that the words "General Agent" are mere words of general description of no particular legal effect, and that his individual indorsement is sufficient to pass the title to it. This, however, is not conclusive of the matter. It should be remembered that the banks upon which the checks are drawn are under no liability or duty to the holder to pay them. Their sole duty is to their *depositors*. It may be that the words "General Agent &c.," upon the face of the check are mere words of description, without legal effect, or the reverse. Of

this the paying bank can have no knowledge when the check is presented, unless it takes time to inquire. It sees, however, that the drawer of the check has attached some importance to the capacity in which A. L. R. is to receive his money, by writing it on the face of the check, and he may at least desire A. L. R.'s acknowledgment, by his indorsement, that he has received it in that capacity. It is therefore, in our opinion, a reasonable requirement on the part of the paying banks, in the conduct of their business, that such checks shall be indorsed in full, and one in which they will doubtless be sustained by their depositors, to whom only do they owe any duty in the matter. They are bound at their peril to see that all checks paid by them, are paid only to those properly entitled to payment, and they are accordingly entitled to demand that checks shall be so indorsed as to be complete vouchers, and carry with them full proof that the money was paid and received, as the drawer intended.

#### V. CHECKS TO ORDER OF BEARER.

Ought a paying teller to ask for a written indorsement on a check payable "to the order of bearer," or a check payable "to the order of self or bearer," when presented at the counter by the drawer or any one else?

REPLY.—We regard it as good banking practice in cases of this kind to require an indorsement. The indorsement will serve as a receipt to identify the party receiving the money; and will generally be given if asked for. We do not know that it has ever been decided that the bank has a technical right to demand an indorsement, or in other words that it would be justified in refusing to pay solely for want of one. At the same time, the form of the check is somewhat ambiguous, and the teller should err in such cases, if at all, upon the side of safety. In this city, even if a check is payable absolutely to bearer, most tellers, owing to the frequency of forgeries, require an indorsement; and if the amount is large they will require the identification of the bearer. It should be remembered that when a check is presented for payment a bank has always the right to take time to satisfy itself that payment is proper; and it may properly regard itself as waiving this right for the convenience of the check holder, in consideration of his indorsing the check or procuring himself to be identified.

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GOLD AND SILVER CERTIFICATES.—The following is the text of a bill introduced in the Senate of the United States on April 1, 1884, by Mr. Hill, which was read twice and ordered to lie on the table: "A bill to make the certificates of gold and silver deposited in the Treasury of the United States a legal tender for public and private debts. *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That on and after the passage of this Act, certificates of gold and silver deposited in the Treasury of the United States shall be a legal tender, at their nominal value, for all debts, public and private, except when otherwise expressly stipulated in the contract: *Provided,* that such certificates shall contain the promise of the United States to deliver, on demand, the sums of gold and silver named thereon; and that this Act shall be operative only so long as such promise is in fact kept and performed, and only so long as the law regulating the receipt by the Treasury of the United States of deposits of gold and silver shall require such gold and silver to be kept and used solely for the redemption of the certificates issued therefor.



## BANKING AND FINANCIAL ITEMS.

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**"Practical Banking and the Banker's Common-Place Book."**—The new work which is now in preparation, as announced at the end of our present number, will be welcomed by many who have sought in vain some book affording information and instruction upon the methods of conducting a banking business in the United States. In its preparation, the editor of the *BANKER'S MAGAZINE* has been assisted by some of the ablest bank officers in this city and elsewhere. No work has ever been published which approaches it in practical utility. It is both trustworthy and complete. It will be issued in August by the *HOMANS PUBLISHING COMPANY*.

THE CLEARING-HOUSE ASSOCIATION appointed, on May 7th, a special committee to consider the failure of the Marine National Bank, with reference to the claim made by the First National Bank for checks drawn upon it, and sent through the exchanges to that bank, and to report to the Association such amendments to the constitution, if any, as they may consider necessary to protect the members of the Association from loss in similar cases." The claim in question arose from the fact that the Marine National Bank passed through the Clearing-house, on the morning of its failure, three checks drawn by Ferdinand Ward on the First National Bank, amounting to \$215,000. Ward had to his credit only \$2,213.98. These checks were debited to the First National in its settlement, and when returned by them, according to the rule, to the Marine National Bank, the latter had closed its doors, and the amount remains as a loss to the First National.

The Committee has made its report, which announces as its opinion that the First National Bank has no claim upon the Clearing-House under the constitution or rules of the Association. Section 14 of the constitution provides "that errors in the exchanges and claims arising from the return of checks, or from any other cause, are to be adjusted directly between the banks which are parties to them, and not through the Clearing-house, the Association being in no way responsible in respect to them."

In concluding its report the committee says:

"In passing upon the claim of the First National Bank your committee conceive that they have nothing to do with the real hardship of the case, which they deeply regret. As between the two banks it is so flagrantly unjust that they believe it impossible for the courts to permit money thus fraudulently abstracted from the First National Bank to be divided among creditors of the Marine National Bank."

They recommend an amendment to the Constitution, as follows:

"In case of the refusal or inability of any bank to promptly refund to the bank presenting such checks, drafts or other items, returned as not good, the bank holding them may report to the manager the amount of the same. And it shall be the manager's duty, with the approval of the Clearing-house Committee, to take from the settling sheet of both banks the amount of such checks, drafts or other items so reported, and to readjust the Clearing-house statement, and declare the correct balance in conformity with the change so made, provided that such report shall be given to the manager before one o'clock of the same day."

They recommend, also, the following addition:

"The Clearing-house Committee is also empowered, whenever it shall consider it for the interest of the Association, to examine any bank member of the Association, and to require from any member securities of such an amount and character as said committee may deem sufficient for the protection of the balances resulting from the exchanges at the Clearing-house."

**CENTENNIAL OF THE BANK OF NEW YORK.**—The Bank of New York celebrated its centennial on June 9th. The building was decorated with flags, and two shields told the date of the institution's birth and its age. All the banks in the city sent congratulations, and dozens of well-known financiers called to pay their respects, who were received by President Charles M. Fry, who has held his present office since 1876, and Cashier E. S. Mason, in the President's room. The bank is one of the oldest in the country. Its experience covers a period of great changes in the financial policy and condition of the United States and of severe trials in the business world. Its organization was incited by the success of the Bank of North America, started in Philadelphia in 1781, at a time when the need was felt of a National bank which should not only aid the Government on a large scale, but should extend its facilities to individuals. Its first President was Gen. Alexander McDougal, Wm. Seton the first Cashier, while the first Board of Directors included the names of Alexander Hamilton, Joshua Waddington, John Vanderbilt, Isaac Roosevelt, Daniel McCormick, Nicholas Low, Comfort Sands, Samuel Franklin and Robert Bowne. The original location of the bank was in the Walton House, No. 67 St. George's Square.

The first dividend made by the bank of which there is any record was one of three per cent., declared on April 25, 1786. It obtained its charter after much opposition in 1791. Its capital on May 1, 1791, was \$318,250, but was increased to \$900,000 before August. During the war of 1812 the Government was ably assisted by the bank, and in 1840 valuable aid was also extended the State. In 1853 it reorganized under the Free Banking Act, and increased its capital to \$2,000,000. The present building was completed in 1858, and in 1859 the capital was further increased by \$1,000,000. During the civil war financial aid was given the Government when sorely in need. It was reorganized under the National system of 1865, and in 1878 reduced its working capital to \$2,000,000. Since its organization it has had thirteen presidents and six cashiers. Two of the cashiers resigned, and four have been elected to the office of president and vice-president.

**CALL OF BONDS.**—The Secretary of the Treasury on June 26 issued the one hundred and twenty-ninth call for the redemption bonds. The call is for \$10,000,000 three-per-cent. bonds issued under the Act of July 12, 1882. The principal and accrued interest will be paid on August 1, and the interest will cease on that day. Following are descriptions of the bonds, all numbers being original and inclusive:

\$50—No. 315 to No. 344; \$100—No. 2,363 to No. 2,795, and No. 9,484 to No. 9,513; \$500—No. 1,151 to No. 1,338, and No. 3,994 to No. 4,008; \$1,000—No. 11,089 to No. 12,374, and No. 22,813 to No. 22,857; \$10,000—No. 20,302 to No. 21,170. Total, \$10,000,000.

**MISSOURI.**—The State Savings Bank of St. Joseph, Missouri, which suspended temporarily in consequence of the stoppage of their New York correspondent, resumed business on June 21st. The board of directors has been enlarged, the new members being well-known business men and capitalists of St. Joseph. The directory now consists of Messrs. C. B. France, R. L. McDonald, E. Lindsay, D. M. Steele, John Townsend, I. S. Ballinger, John C. Evans and Silas McDonald. The officers have earned the hearty goodwill not only of the stockholders, but of the public, by their untiring efforts and zeal in so managing the affairs of the bank that it has been enabled to resume its old and well-deserved standing, and is now stronger than ever.

**NEW HAMPSHIRE.**—The returns from the Savings banks in New Hampshire for the year ending March 31 show that the deposits in these institutions, exclusive of \$2,000,000 invested in real estate, aggregate \$41,000,000, being some \$3,000,000 in excess of those of the preceding twelve months. The tax assessed on Savings banks this year will reach \$415,000, the largest ever levied.

**BANK EXAMINER.**—The Secretary of the Treasury has appointed John B. Ramsey to be Bank Examiner for the district of Maryland and Delaware, vice Washington Adams, resigned.

**NEW JERSEY.**—Chancellor Runyon has granted an order preparatory to the restoration of the heretofore defunct Dime Savings Institution to the hands of its managers. At the time of its suspension the Chancellor permitted the directors to manage it under his supervision. George F. Tuttle, whom he recently appointed to ascertain its condition, reports that the bank is solvent. It owes depositors \$584,745.39, and has assets amounting to over \$597,000. The Chancellor has, therefore, entered a rule requiring all persons interested to show cause before him why it should not be released from the supervision of the court.

Receiver Wilkinson, of the Newark Savings Institution is prepared to pay depositors the dividend of sixty per cent. ordered by the Chancellor. The payments aggregate \$3,700,000, and there are 14,000 depositors.

**DEFALCATIONS AND ARRESTS.**—Isaac A. Stanley, paying teller of the National Bank of Commerce of Cleveland, O., was arrested on June 14 for embezzling \$100,000 from the bank. He confessed that he had been speculating with the reserve fund, and assigned his property and some speculative deals. The bank will realize part of the loss and will not be affected by the defalcation.

Edward L. Moon, a broker with whom Stanley had most of his dealings, was arrested on June 17 by an United States officer, under the same Federal statute under which Stanley is arrested, which prescribes from five to ten years' imprisonment for embezzling funds from a National bank or abetting the same. The arrest was made at the instance of the bank officials.

Tilden G. Abbott, the defaulting cashier of the National Union Bank of Watertown, who was arrested in Missouri and returned to Massachusetts, was on June 10 sentenced to eight years in State Prison.

William G. Morgan, the defaulting agent at Hartford of the New York banking firm of Putnam and Earle, was sentenced on June 11 to three years in State prison.

James D. Fish, late President of the Marine National Bank, was indicted by the United States Grand Jury, on June 13, for violation of section 5,209 of the Revised Statutes, which makes various specified acts by bank officers misdemeanors, punishable by imprisonment not less than five years. He will be arraigned at the next term of the United States Circuit Court.

The receiver of the Mississippi Valley Bank, which failed some months ago, has filed in the United States Court at Jackson a statement of the assets and liabilities of the institution. Total liabilities, \$1,147,908; assets, \$400,430. The Government, it is stated, has a prior claim of \$10,000 or \$15,000 for internal revenue taxes. Attorney's fees and other expenses are fast eating up the available assets, thus making the outlook for the creditors gloomy in the extreme.

The creditors of Strong's bank, Green Bay, Wis., have brought suit against the officers, directors and shareholders to secure the payment of moneys due them. The complaint charges that the officers of the bank knew of its insolvency and notwithstanding paid dividends to the stockholders that were not earned; that President Strong fraudulently converted more than \$100,000 of the bank's funds to his own use, and replaced the same with old and worthless bonds and securities; that President Strong and Cashier Neese, knowing such bonds and securities to be worthless, reported the same in their semi-annual reports and statements as of their full face value; that the directors so carelessly and negligently conducted the affairs of the bank that its entire capital, surplus, property and effects, and more than \$100,000 of its funds with which to pay its creditors were stolen and lost, whereby it became insolvent and unable to pay its creditors more than twenty cents on the dollar.

**CONDITION OF THE PENN BANK.**—Assignee Warner, of the Penn Bank, made on June 4 a report of the condition of the bank books. His report shows the amount due to individual depositors to be \$1,466,205.05, and the amount of overdrafts to be \$1,250,953.90. The majority of the directors withdrew their accounts on May 26, the day the bank was closed for the second time.

WASHINGTON.—The statement of the assignee of Middleton & Co., the suspended bankers of Washington, reports the total liabilities of the firm to be \$465,000; face value of assets, \$374,311, of which \$70,304 represents the value of such as are considered good, and \$6,312 the value of such as there is a possibility of realizing upon. Among the total losses are individual overdrafts amounting to \$168,957. The cash found in the banks assets amounted to \$305.

CANADA.—The annual meeting of the stockholders of the Merchants' Bank of Canada was held on June 18th. The report of directors showed the net profits to have been \$749,597. Of this sum \$400,510 was appropriated for dividends (seven per cent.), \$202,732 written off for bad debts, \$45,000 added to the contingent fund, and \$100,000 added to the rest. The rest is now \$1,250,000. The report states that the bad harvest in Manitoba and in Western Ontario, with the depressed condition of various industries of the country, have led to a diminution of business and profits, as compared with last year, and the board have found it necessary to make much larger appropriations for losses and doubtful debts than have been required for some time back. The business of the bank, however, has been well maintained, as a whole, and the board have had it in their power to keep the bank in a strong position, and to afford every needful facility to customers carrying on a sound and healthy business.

Sherbrooke.—The annual meeting of the Eastern Township's Bank was held at Sherbrooke on June 4th. The reports showed that after two dividends of three and a-half per cent. each, the sum of \$25,000 had been added to the reserve fund, bringing it up to \$375,000. The business of the Exchange Bank at Bedford has been purchased since the failure of that bank. The position of the bank was regarded as a very satisfactory one, and its management spoken of in the highest terms.

COTTON MANUFACTURE.—Four-fifths of the raw cotton of the world is produced in the United States, but we manufacture not more than one-half as much as Great Britain. We could save hundreds of millions of dollars by manufacturing our own raw cotton. But Mr. Edward Atkinson contents himself for the present with an exhibition to our planters of a method of saving tens of millions. He says that improvements in ginning could easily be made whereby \$30,000,000 could be saved on the cotton crop annually. The poor gins now in use waste much cotton and damage more. Mr. Atkinson's paper, read before the New England Cotton Manufacturer's Association recently, says that waste and bad workmanship probably costs the planters \$60,000,000 on a year's cotton crop.

IRON MANUFACTURE AT THE SOUTH.—A correspondent of the *Baltimore Manufacturers' Record* quotes a leading furnace man of Alabama as stating that his works are steadily producing pig iron at \$8 per ton. The cheap labor and cheap materials of the South enable it to produce iron at these low figures. In this gentleman's opinion, "the reduction in the tariff has nothing to do with the falling off in the iron trade, but that the industry is now where protection will neither hinder nor help. When iron is produced in Alabama at \$8, in Virginia at \$12, and in Tennessee at \$11 per ton, while in Pittsburgh every ton costs \$19, it is easy to understand why it is that the Southern furnaces are still at work at a time when two-thirds of those in less favored localities are out of blast."

### OBITUARY.

COL. JOHN A. STEVENSON, formerly President of the Louisiana State Bank, died at his plantation in Iberville Parish, La., on June 27. Col. Stevenson was born in Kentucky in 1818, but went to Louisiana in 1830. In early life he was a successful steam-boat man and commission merchant. He was an ardent Whig, and at first opposed secession, but when the State was counted out of the Union in 1861, he entered the Confederate navy, and built and commanded the first iron-clad in the Lower Mississippi. At the close of the war he returned to commercial life, and in cotton and sugar acquired great wealth. He was prominent in many enterprises.

**PROTECTION AGAINST BURGLARY.**—The Merchants' National Bank of Cleveland, Ohio, has recently added to its safeguards for the protection of its valuables a magnificent vault safe and vault doors, which are highly commended by all who have examined them. The vault safe weighs 21,800 pounds, is burglar proof, and has a new arrangement of bolt-work of the time lock, affording absolute protection against explosive substances. Guarding the safe are two massive vault doors, weighing nearly 12,000 pounds. They are elegantly finished, and are considered to be the most complete and safest safe and vault doors in the country. The cost of this splendid specimen of workmanship, which was done by the Detroit Safe Co., was in the neighborhood of seven thousand dollars, and the Merchants' National Bank now bids defiance to burglars, as all banks should be able to do.

**THE POISON OF GAMBLING.**—It is fortunate that Wall Street and the Stock Exchange are not the whole country. If they were it would be for the moment in a deeper slough of despond than any that John Bunyan's Poor Pilgrim ever got into, in his progress to the better land. Said a veteran in commercial life, this morning, "The trouble with New York just now is, we have too many young men who, scorning the slow but safe ways of their fathers, are trying to work their way in the world, in accordance with the modern improvements, that is to say, they are buying and selling things which other people have got, while they are not owning nor producing anything themselves." This may be a homely way of putting it, but it is true to the letter. Hanging about all the exchanges to-day, you may see hundreds, nay thousands of young men, from 20 to 25 years of age, connected with small brokers, doing business on an attenuated capital, offering to buy or sell stocks, cotton, wheat, coffee, oil, or what not, on a few dollars margin. They never see a share of stock, nor a bale of cotton, nor a bushel of grain, nor a pound of coffee, nor a gallon of oil, but simply take the chances as against the other speculators who are their patrons, upon the changing quotations of the markets. This is gambling—pure and simple—and the end of it all is, the outcome of all habitual gambling, poverty and despondency, if not despair. This numerous class of speculators are, many of them, of bright parts, with brains and ability to make a respectable living in almost any of the ordinary walks of life, provided they could come down (or up, rather) to some regular productive industry, and get rid of the foolish notion that they can somehow make a fortune out of nothing. When they get rid of the vain ambition to have a seat at the Stock Exchange, or to be looked upon as a showy operator in grain or lard, or petroleum, they will have taken the first step towards quitting the road to ruin and turning the corner to the quieter but safer, and in the end more prosperous path of unobtrusive honest labor.—*New York Correspondence Philadelphia Ledger.*

**RUBBER.**—There is about \$76,000,000 capital invested in the manufacturing of Rubber goods in the United States, and about 15,000 persons are employed in 120 establishments, annually producing goods valued at \$250,000,000, as shown by the late census. The amount of raw rubber consumed is about 30,000 tons per annum, which, with other ingredients used in the manufacturing, equals 300,000 tons. Raw rubber has lately been advanced in price to \$1.25 per pound, while six years ago it could have been purchased at 48 cents. This industry has no rival in foreign countries.

**The Banker's Almanac and Register.** July edition, is now in press and will be ready in a few days for delivery. There are many changes during the past six months among banks and bankers, and a larger number of new banks than ever. The new volume contains all these changes as usual. The list of foreign banks and bankers is now very complete. Forwarded from this office on receipt of price, Three Dollars.

**Situation Wanted.**—As Cashier or Teller in a Bank or Trust Company. Fourteen years' experience as Cashier. Unquestionable references.—**CLAUDE A. MITCHELL**, Bradford, Pa.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from June No., page 971.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
CAL....	Cloverdale.....	Cloverdale Bkg. & Com' cial Co. \$50,000 Isaac E. Shaw, <i>Pr.</i>	Chase Nat'l Bank. Geo. W. Frost, <i>Cas.</i>
DAK....	Alexandria.....	Farmers' Bank.....	Hanover National Bank.
		\$25,000 Isaac J. Gray, <i>Pr.</i>	M. C. Whitney, <i>Cas.</i>
	Bathgate.....	Bathgate Dakota Bank...	American Exch. Nat'l Bank.
		E. A. Harmon, <i>Pr.</i>	C. T. Harmon, <i>Cas.</i>
	Howard.....	Howard Bank (Kendall Bros.)	
GA.....	Eatonton.....	E. B. Ezell.....	Imp. & Traders' National Bank.
ILL....	Corydon.....	Farmers & Merchants' B'k \$60,000 Wm. E. Hughes, <i>Pr.</i>	Chemical National Bank. Jas. A. Harper, <i>Cas.</i>
IOWA..	Marcus.....	Citizens' Bank.....	
		\$25,000	W. J. Creglon, <i>Cas.</i>
KAN....	Baxter Springs.	Drovers & Farmers' B'k \$20,000 W. H. Hornor, <i>Pr.</i>	Kountze Bros. W. B. Spencer, <i>Cas.</i>
	Chapman.....	Bank of Chapman.....	Metropolitan National Bank.
	El Dorado.....	Exchange National Bank.	
		\$50,000 A. L. Redden, <i>Pr.</i>	H. H. Gardner, <i>Cas.</i>
	Sterling.....	First National Bank.....	
		\$50,000 J. H. Smith, <i>Pr.</i>	P. Himrod, <i>Cas.</i>
	Sumner.....	Farm. & Merch. Bank.....	National Park Bank.
		James Brewster, <i>Pr.</i>	P. C. Kirkland, <i>Cas.</i>
	Topeka.....	Bank of Topeka.....	
		\$150,000 J. R. Mulvane, <i>Pr.</i>	Byron Roberts, <i>Cas.</i>
	Waterville.....	Merchants' B'k (Thorne & Thomas).	Kountze Bros.
LA.....	Davis.....	Citizens' Bank.....	J. M. Arnold, <i>Cas.</i>
MD....	Centreville.....	Queene Anne's Nat'l B'k. \$75,000 Thos. J. Keating, <i>Pr.</i>	Jas. Wooters, <i>Cas.</i>
MICH..	Kalamazoo.....	City National Bank.....	
		\$125,000 Chas. S. Dayton, <i>Pr.</i>	Chas. A. Peck, <i>Cas.</i>
	Kalamazoo.....	Kalamazoo Nat'l Bank...	
		\$100,000 Edwin J. Phelps, <i>Pr.</i>	Geo. T. Bruen, <i>Cas.</i>
MINN..	Minneapolis.....	Nat'l Bank of Commerce.	
		\$400,000 E. F. Gould, <i>Pr.</i>	Wm. Powell, <i>Cas.</i>
MO....	Clarence.....	Clarence Bank.....	W. J. Slaughter, <i>Cas.</i>
	Neosho.....	Bank of Neosho.....	Nat'l Park B'k. Bank of America.
		F. J. Carpeny, <i>Pr.</i>	H. F. Jones, <i>Cas.</i>
NEB....	Burchard.....	Bank of Burchard.....	Chemical National Bank.
		\$10,000 J. N. Eckman, <i>Pr.</i>	B. H. Fuller, <i>Cas.</i>
	Holdrege.....	First National Bank.....	
		\$50,000	R. T. McGrew, <i>Cas.</i>
	Kearney.....	Kearney National Bank...	
		\$100,000 L. R. More, <i>Pr.</i>	W. C. Tillson, <i>Cas.</i>
OHIO...	Cleveland.....	Union National Bank....	American Exch. Nat'l Bank.
		\$1,000,000 M. A. Hanna, <i>Pr.</i>	
OREGON	Eugene City...	Hendricks & Eakin.....	
	Independence...	I. S. Cooper.....	
TEX....	Meridian.....	Bosque County Bank.....	United States National Bank.
		\$25,000 Jas. M. Robertson, <i>Pr.</i>	J. W. Rudasill, <i>Cas.</i>
	Wichita Falls...	Panhandle Nat'l Bank....	Hanover National Bank.
		\$50,000 John G. James, <i>Pr.</i>	A. S. James, <i>Cas.</i>
VA.....	Mount Jackson.	Mt. Jackson Nat'l B'k....	
		\$50,000 Jos. I. Triplett, <i>Pr.</i>	J. Fred. S. Good, <i>Cas.</i>
WIS....	Mineral Point	First National Bank.....	Kountze Bros.
		\$50,000 Geo. W. Cobb, <i>Pr.</i>	Wm. A. Jones, <i>Cas.</i>

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from June No., page 974.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	New York Nat'l Exch. B'k.	Frederick Halstead, <i>A. C.</i>	.....
ALA....	First National Bank, Anniston.	Samuel Noble, <i>V. Pr.</i>	.....
"	First Nat'l Bank, Birmingham.	E. W. Linn, <i>Ass't C.</i>	.....
CAL....	First National Bank, {	Geo. A. Low, <i>V. Pr.</i>	J. Phelan.
	San Francisco. }	G. W. Kline, <i>Ass't C.</i>	.....
COL....	First National Bank, {	A. J. Macky, <i>V. Pr.</i>	W. H. Thompson.
	Boulder. }	W. H. Thompson, <i>Cas.</i>	W. H. Allison.
CONN...	Tr. & Safe Dep. Co., Hartford.	W. J. Wood, .....	E. B. Watkinson.*
"	Mercantile National Bank, .....	W. C. Powell, <i>Ass't Cas.</i>	.....
"	Middlesex Co. N.B., Middleto'n.	Edwin F. Sheldon, <i>Cas.</i>	J. E. Birdwell.
"	Southport Nat'l B'k, Southport.	E. C. Sherwood, <i>Pr.</i>	Francis D. Perry.*
DAK....	Merchants' Nat'l B'k, Bismarck.	John Mullanney, <i>V. Pr.</i>	.....
"	First National Bank, Madison..	L. H. Keene, <i>V. Pr.</i>	.....
"	Citizens' Nat'l Bank, Madison..	M. W. Daly, <i>V. Pr.</i>	.....
DEL....	Newport Nat'l Bank, Newport.	Daniel Green, <i>Ass't C.</i>	.....
D. C....	Nat'l Metrop. B'k, Washington.	Wm. Thompson, <i>V. Pr.</i>	.....
IDAHO..	First National Bank, {	E. C. Coffin, <i>V. Pr.</i>	.....
	Ketchum. }	H. C. Lewis, <i>Ass't Cas.</i>	.....
ILL....	Aurora Nat'l Bank, Aurora....	O. D. Powell, <i>V. Pr.</i>	.....
"	Second National Bank, {	M. Ramsey, <i>V. Pr.</i>	.....
	Belvidere. }	H. B. Sykes, <i>Ass't Cas.</i>	.....
"	Metropolitan Nat'l Bank, {	S. A. Kean, <i>V. Pr.</i>	.....
	Chicago. }	W. D. Preston, <i>Ass't C.</i>	.....
"	First National Bank, {	J. S. Thompson, <i>Pr.</i>	J. B. Martin.
	Lacon. }	C. N. Thompson, <i>A. C.</i>	.....
"	First Nat'l Bank, Metropolis...	H. Quanté, <i>V. Pr.</i>	.....
IND....	First National Bank, Aurora....	H. W. Smith, <i>Pr.</i>	T. Gaff.*
"	LaFayette Nat'l B'k, LaFayette.	C. E. Wells, <i>Cas.</i>	L. C. Slocum.
IOWA..	First National Bank, Algona....	Dexter H. Hutchins, <i>V. P.</i>	.....
"	First National Bank, {	A. J. Clark, <i>V. Pr.</i>	.....
	DeWitt. }	E. H. Price, <i>Ass't Cas.</i>	.....
"	First National Bank, Elkader.	R. Price, <i>V. Pr.</i>	M. Cook.
"	First N. B., Missouri Valley....	Mathew Blenkiron, <i>V. Pr.</i>	.....
"	First National Bank, {	Thos. Harris, <i>V. Pr.</i>	.....
	Montezuma. }	John Hall, Jr., <i>Ass't Cas.</i>	.....
"	First National Bank, Perry....	J. J. Town, <i>V. Pr.</i>	.....
KAN....	First National Bank, {	Geo. W. Marshall, <i>Pr.</i>	H. M. Spalding.
	Concordia. }	Jas. I. Wyer, <i>V. Pr.</i>	G. W. Marshall.
"	Powers' Bank, Ellsworth....	I. W. Phelps, <i>Pr.</i>	J. W. Powers.
"	First National Bank, Eureka....	M. Gray, <i>V. Pr.</i>	.....
"	First National Bank, Eureka....	J. J. Durkee, <i>V. Pr.</i>	.....
"	Citizens' Nat'l B'k, Fort Scott.	Jas. H. Brown, <i>V. Pr.</i>	.....
"	Hutchinson National Bank, {	Geo. C. Updegraff, <i>V. P.</i>	.....
	Hutchinson. }	W. E. Burns, <i>Ass't Cas.</i>	.....
"	First Nat'l B'k, Hutchinson....	L. A. Bigger, <i>V. Pr.</i>	.....
"	Metropolitan Nat'l Bank {	P. G. Lowe, <i>V. Pr.</i>	.....
	Leavenworth. }	N. C. Stone, <i>Cas.</i>	.....
"	First Nat'l Bank, Peabody....	Henry Stephens, <i>V. Pr.</i>	.....
MD....	Montgomery Co. N.B., R'kville.	John F. Byers, <i>Cas.</i>	.....
"	National Exchange Bank, {	J. P. Neer, <i>V. Pr.</i>	.....
	Baltimore. }	J. Scott, <i>Cas.</i>	J. Potts.
MAINE..	First National Bank, Auburn..	Jeremiah Dingley, Jr., <i>Pr.</i>	James Dingley, Jr.
"	Cobbossee Nat'l B'k, Gardiner.	Stephen J. Young, <i>Pr.</i>	James Stone.
"	American Nat'l B'k, Hallowell.	J. Graves, <i>Pr.</i>	O. F. Sanborn.*
MASS...	National Revere B'k, Boston...	Chas. W. Stone, <i>Ass't C.</i>	.....

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
MICH...	Fourth National Bank, Grand Rapids.	A. J. Bowne, <i>Pr.</i> .....	A. B. Watson.
		I. M. Weston, <i>V. Pr.</i> .....	A. J. Bowne.
		H. P. Baker, <i>Cas.</i> .....	I. M. Weston.
	First National Bank, Saginaw.	H. W. Nash, <i>Ass't Cas.</i> .....	H. P. Baker.
		Smith Palmer, <i>Cas.</i> .....	Wm. Powell.
		T. W. Stalker, <i>Ass't C.</i> .....	Smith Palmer.
MINN...	First National Bank, Ypsilanti.	D. L. Quirk, <i>Pr.</i> .....	I. N. Conklin.
		L. A. Barnes, <i>V. Pr.</i> .....	D. L. Quirk.
		Henry G. Page, <i>Pr.</i> .....	E. D. Dyar.
	Fergus Falls Nat'l Bank, Fergus Falls.	J. D. Boyd, <i>Cas.</i> .....	E. A. Jewett.
		E. F. Gould, <i>Pr.</i> .....	.....
		V. G. Hush, <i>V. Pr.</i> .....	.....
MISS....	Nat'l Bank of Commerce, Minneapolis.	Frank Slocum, <i>Ass't Cas.</i> .....	.....
		S. M. Bruce, <i>V. Pr.</i> .....	.....
		W. P. Lambert, <i>Ass't C.</i> .....	.....
	First National Bank, Sauk Centre.	W. W. George, <i>V. Pr.</i> .....	.....
		O. J. Waite, <i>Ass't Cas.</i> .....	.....
		T. W. Brown, <i>V. Pr.</i> .....	.....
MONT...	First Nat'l Bank, Butte City....	Andrew J. Davis, Jr., <i>A. C.</i> .....	.....
	First Nat'l B'k, Miles City.....	H. F. Batchelor, <i>Ass't C.</i> .....	.....
MO.....	Ray Co. Sav. B'k, Richmond..	T. D. Woodson, <i>Cas.</i> .....	H. C. Garner.
NEB....	Farm. & Merchants' N. B., Fremont.	E. Schurman, <i>V. Pr.</i> .....	.....
		Wm. E. Smails, <i>Ass't C.</i> .....	.....
		Geo. B. Hoit, <i>Cas.</i> .....	B. D. Slaughter.
	Commercial Nat'l Bank, Omaha.	W. G. Maul, <i>V. Pr.</i> .....	.....
		Alfred Millard, <i>Ass't Cas.</i> .....	.....
		Silas Garber, <i>V. Pr.</i> .....	.....
N. Y....	Red Cloud Nat'l Bank, Red Cloud.	John R. Shirey, <i>Ass't C.</i> .....	.....
		F. Folda, <i>V. Pr.</i> .....	.....
		J. H. Schuyler, <i>V. Pr.</i> .....	.....
	Farmers' National Bank, Amsterdam.	M. Van Buren, <i>Ass't Cas.</i> .....	.....
		Jas. W. Manier, <i>Pr.</i> .....	Egbert A. Clark.
		Arthur Griffin, <i>Cas.</i> .....	Jas. W. Manier.
	Brooklyn Trust Co., Brooklyn.	Ripley Ropes, <i>Pr.</i> .....	E. W. Corlies.
		S. B. Norton, <i>V. Pr.</i> .....	.....
		Palmer M. Wood, <i>V. Pr.</i> .....	.....
	Farmers' Nat'l B'k, Granville.	V. T. Stone, <i>V. Pr.</i> .....	.....
		A. H. Bennett, <i>Cas.</i> .....	J. H. Tripp.
		E. K. Baber, <i>Pr.</i> .....	E. Kingsland.
	Keeseville National Bank, Keeseville.	H. M. Mould, <i>Ass't Cas.</i> .....	E. K. Baber.
		Geo. P. Squires, <i>V. Pr.</i> .....	.....
		D. B. Tripp, <i>Ass't Cas.</i> .....	.....
	First National Bank, Marathon.	Geo. Rogers, <i>V. Pr.</i> .....	.....
		S. C. Bull, <i>Cas.</i> .....	.....
		C. P. Skinner, <i>V. Pr.</i> .....	.....
OHIO...	People's National Bank, Newark.	W. N. Fulton, <i>V. Pr.</i> .....	.....
		J. M. Maylam, <i>Ass't Cas.</i> .....	.....
	Third Nat'l Bank, Sandusky....	F. P. Zollinger, <i>Cas.</i> .....	Henry Graefe.
PENN...	First National Bank, Chester..	F. R. Palmer, <i>Cas.</i> .....	Wm. Taylor.
	National Bank of Malvern.....	C. Lapp, <i>V. Pr.</i> .....	.....
	First National Bank, Marietta.	John Zigler, <i>Pr.</i> .....	John Musser.
	Doylestown N.B., Doylestown.	Henry Lear, <i>Pr.</i> .....	Geo. Lear.
	First Nat'l B'k, Shenandoah..	P. J. Ferguson, <i>V. Pr.</i> .....	.....
	Stroudsburg B'k, Stroudsburg..	T. M. McIlhany, <i>Pr.</i> .....	Wm. Wallace.
	First Nat'l Bank, Williamsport.	J. A. Berber, <i>Pr.</i> .....	A. Updegraff.
	Rhode Island Hospital Trust Co., Providence.	Herbert J. Wells, <i>Pr.</i> .....	Alex. Farnum.*
TENN...	Second Nat'l Bank, Lebanon.	J. A. Lester, <i>Pr.</i> .....	J. Hamilton.
		S. R. Williams, <i>V. Pr.</i> .....	.....
		W. H. Brown, <i>Ass't Cas.</i> .....	.....
TEX....	First Nat'l Bank, Decatur....	J. G. Halsell, <i>Pr.</i> .....	J. L. Ullmann.
		L. E. Mayes, <i>Cas.</i> .....	John W. Walden.
		J. J. Lang, <i>V. Pr.</i> .....	J. G. Halsell.
	Israel, C. W. & Co., Henrietta.	J. N. Israel, <i>Pr.</i> .....	C. W. Israel.

\* Deceased.



## CHANGES, DISSOLUTIONS, ETC.

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## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

*(Continued from June No., page 972.)*

No.	Name and Place.	President.	Cashier.	Capital.
3199	Hutchinson National Bank..... Hutchinson, KAN.	George W. Hardy,	J. F. Greenlee,	\$ 50,000
3200	Panhandle National Bank..... Wichita Falls, TEX.	John G. James,	A. S. James,	50,000
3201	Kearney National Bank..... Kearney, NEB.	L. R. More,	W. C. Tillson,	100,000
3202	Union National Bank..... Cleveland, OHIO.	M. A. Hanna,	.....	1,000,000
3203	First National Bank..... Mineral Point, WIS.	Geo. W. Cobb,	Wm. A. Jones,	50,000
3204	Leominster National Bank..... Leominster, MASS.	Hamilton Mayo,	A. L. Burditt,	150,000
3205	Queen Anne's National Bank.... Centreville, MD.	Thos. J. Keating,	Jas. Wooters,	75,000
3206	National Bank of Commerce..... Minneapolis, MINN.	.....	Wm. Powell,	400,000
3207	First National Bank..... Sterling, KAN.	J. H. Smith,	P. Himrod,	50,000
3208	First National Bank..... Holdrege, NEB.	.....	R. T. McGrew.	50,000
3209	Mount Jackson National Bank... Mount Jackson, VA.	Jos. I. Triplett,	J. Fred. S. Good,	50,000
3210	City National Bank..... Kalamazoo MICH.	Chas. S. Dayton,	Chas. A. Peck,	125,000
3211	Kalamazoo National Bank... Kalamazoo, MICH.	Edwin J. Phelps,	Geo. T. Bruen,	100,000

## NATIONAL-BANK AND LEGAL-TENDER CIRCULATION.

Statement of the Comptroller of the Currency on July 1, 1884, showing the amounts outstanding at the dates named, and the increase or decrease of National-bank notes and of legal-tender notes:

## NATIONAL-BANK NOTES.

Amount outstanding June 20, 1874.....	\$ 349,894,182
“ “ January 14, 1875.....	351,861,450
“ “ May 31, 1878.....	322,555,965
“ “ at date *.....	338,854,274
Decrease during the last month.....	1,482,907
Decrease since July 1, 1883.....	17,193,007

## LEGAL-TENDER NOTES.

Amount outstanding July 20, 1874.....	\$ 382,000,000
“ “ January 14, 1875.....	382,000,000
“ retired under Act of January 14, 1875, to May 31, 1878.....	35,318,984
“ outstanding on and since May 31, 1878.....	346,681,016
“ on deposit with the Treasurer U. S. to redeem notes of insolvent and liquidating banks, and banks retiring circulation under Act of June 20, 1874.....	39,792,244
Decrease in deposit during the last month.....	343,908
Increase in deposit since July 1, 1883.....	2,492,463

H. W. CANNON, *Comptroller of the Currency.*

\* Circulation of National gold banks not included in the above, \$ 615,609.



## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of June has been one of thorns, instead of roses, in the business world. The panicky conditions of May, that threatened to continue into the summer, have been abated, or suppressed, though the causes have not been wholly removed. Those conditions may return when the crops begin to move and money goes out of New York, in case the result should be increased stringency. The banks have been able to avert what was threatened at the end of May, because money has been easy. At the same time they have called in and reduced their loans as fast as possible without causing panic in stocks or merchandise. During the current month it is the expectation that they will be able to reduce their loans and increase their reserves sufficiently to forestall any trouble from the movement of the crops. This will begin in August, when winter wheat and oats will be harvested and moving in volume, greater or less than usual, according to export demand, which now promises to be fair, if not in excess of the increased shipments of both during June. In September spring wheat will be coming to market, and all the smaller cereal crops, fruits and fodder. October will see the root crops marketed, and in November the last of the crops, corn, will begin to move. During July and August there will be a larger surplus of old crops to come out of farmers' hands, or from the interior to the seaboard, than a year ago. Prices of all but live stock and their products—provisions—are lower than then, while the latter are higher and stocks larger. More money, therefore, will be wanted this fall than last, as new crops will be considerably in excess of last year, as will also be the surplus of old ones. Hence, there is good cause for the banks to prepare to meet an unusual drain upon them this year, beginning with the last half of July, especially as the inability of banks in the interior, as well as at commercial centers, to loan as freely on grain, will cause more free selling than usual as fast as crops are harvested. There is, however, a contingency that may cause a smaller and later movement of crops than usual; that is the possibility of such large crops and low prices in other countries as to check sales by American farmers, should they refuse to accept the market price and hold back their surplus. This they should be in fairly good position to do, as they have had two more than average good crop years since the short crops of 1881, and this, making the third, ought to place the agricultural classes in a comparatively easy and independent position, outside of the new States and territories. In the latter they are still in debt for their land and improvements, and will sell at harvest. Should the banks succeed in taking care of legitimate trade, which they now seem endeavoring to provide for, there need be no fear of further trouble in commercial circles, unless affected by renewed financial disturbances, or by a protraction of the present depression. There ought to be a revival of legitimate business with large crops when-

ever they shall move, as employment would be given to transportation companies, warehouse and commission men, as well as to the agricultural interests and manufactures dependent upon them. This state of agriculture and commerce could only affect manufacturers favorably and improve all our industrial interests wherever the excess of over-production has been reduced, where forced realizations have ceased, and assortments run so low as to require renewal of stocks.

With these conditions, financial affairs should also improve, though not until after the first stringency in money, caused by them, has passed away, and the consequent increased demand for money has been overtaken by a corresponding increase in the supply. This latter will require time to move the crops to market. Should Europe buy, as it did in 1878 to 1881, on the opening of the crop year, it will only take one to two months to replace this drain of money from New York by bills of exchange drawn against our exports. On the other hand, should Europe hold off, or take only moderate supplies, the money that will soon go into the country will stay there till we do market our crops. On this prospect the financial outlook is not brilliant, and the chances are that it will not improve this summer, if it does before late fall. In the meantime, conservatism is the only safe course to pursue in all branches of trade. Until finances materially improve, Wall Street will probably get no better, as the policy of the banks is certain to depreciate stocks by continued forced sales in payment of loans called in by the banks.

There seems to be nothing to stop continued liquidation in stocks until the banks get back the deposits they have lost since the financial troubles in Wall Street began. Confidence has been so shaken that it will come back only slowly at best. Hence the most favorable prospect for the near future is a dry rot in stocks, in case no one is forced to sudden and violent liquidation, in which event a further break is likely in all doubtful securities. As there are few which are not considered as such, and even the good sympathize with the bad, it does not look like bottom yet, nor safe to buy even good stocks, unless one is ready to pay for them and prepared to hold them through a further decline and protracted depression. Such buyers in the end can lose nothing by purchasing stocks that are now honestly earning good dividends, provided they are free from further competition. As to bonds, the new receivership heresy of paying floating debts before interest on first mortgage liens has struck a blow at investors which they have returned by boycotting all securities of properties under the management that is responsible for this crime against investors, or that are within the jurisdiction of courts which can be influenced or controlled by railway wreckers. As a result, the number of really good investment securities is now very limited. Government bonds pay so small interest that many prefer to keep their money available and lose interest. To keep their principal safe, many who have not governments already are putting their cash in safe deposit vaults of which they can hold the key themselves. State bonds and municipal are readily salable at a premium where there is no cloud upon the record of the makers thereof. More money than ever before known in this country has been placed in safe deposit vaults in the past month, where it is still kept, either in gold or greenbacks. Hence the large decrease in New

York bank deposits which does not reappear in the deposits of interior banks, as money is scarce all over the country. The Chicago banks are making few new loans on produce, and are calling in old ones whenever they can.

The troubles in New Orleans were largely due to the inability to get bank accommodations. If the centers of the East, West and South are all in the same shape, where else can our currency have gone but to be hoarded? This is the punishment all banks are suffering because the speculators' banks had loaned depositors' moneys on worthless or doubtful stocks which the public would not buy at any price. Upon these they were unable to realize, and were compelled to call upon the associated banks to prevent their suspension. This is a lesson that should teach stock-jobbing and speculative banks hereafter to do a legitimate business with the legitimate business community. It is upon the banks that the near future of business of all kinds depends. If they are sound, as no doubt the majority are, and do not allow the weak ones to fasten upon and involve the good, confidence will gradually return after the late "big men" of Wall Street have liquidated and reduced their holdings to what they can pay for and own themselves. As all the markets hang on this hinge, the remarks above upon the general commercial situation apply to and cover each. As a rule, things are low, if not cheap, and probably cheap if confidence returns. But there is yet little, if any, encouragement to buy anything.

The chief exception to this is provisions, which are dear, especially pork and meats, which have been held by the same parties who attempted a year ago to corner hog products and failed so disastrously. There can be no other outcome this year, and it would have collapsed before this had not the banks made some long loans to carry this deal through before the panic in May. The infatuation which can persist in such an insane deal as this, is one that no honest bank can back unless it has parted with its senses. The longer it is carried against the legitimate situation, and in face of these prices, the more it will lose, as it did last year, when the banks were saddled with McGeoch's losses and his lard. This is the only deal now attempted, all others having been abandoned long ago, excepting temporary squeezes in cornered stocks.

Crop prospects, the world over, were never so uniformly brilliant, and the tendency on next crop is towards lower prices, barring accidents between this and harvest. We will have plenty, low prices, and consequently reduced cost of living, which will in time stimulate manufactures. But these, too, tend to lower prices than ever before. The whole world seems to be entering an era of cheapness for everything, after liquidating a period of speculation and inflated prices. We have already gone from fictitious to legitimate prices; now we must readjust normal prices to this lower cost of production the world over. After that we will be on a sound basis for good times.

The reports of the New York Clearing-house returns compare as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
June 7.	\$ 302,608,300 .	\$ 46,187,600 .	\$ 25,984,700 .	\$ 283,323,200 .	\$ 14,372,200 .	\$ 1,341,500 .
" 14...	295,883,200 .	48,687,400 .	28,577,000 .	281,111,600 .	14,341,100 .	6,986,300 .
" 21...	293,053,700 .	51,348,600 .	28,846,000 .	280,698,100 .	14,399,400 .	10,020,075 .
" 28...	293,450,500 .	55,817,900 .	28,813,300 .	286,158,300 .	14,384,500 .	13,121,625 .

The Boston bank statement is as follows :

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 31.....	\$ 138,002,100 ....	\$ 6,610,500 ....	\$ 4,576,500 ....	\$ 85,747,200 ....	\$ 23,201,500
June 7.....	138,641,700 ....	6,728,800 ....	4,443,700 ....	85,803,500 ....	23,274,400
" 14.....	138,983,800 ....	6,837,000 ....	4,174,600 ....	85,706,000 ....	23,359,600
" 21.....	138,539,300 ....	6,715,000 ....	3,609,500 ....	86,876,400 ....	23,332,700
" 28.....	138,159,300 ....	6,773,200 ....	3,695,900 ....	84,324,400 ....	23,418,000

The Clearing-house exhibit of the Philadelphia banks is as annexed :

1884.	Loans.	Reserves.	Deposits.	Circulation.
June 7.....	\$ 75,548,881 ....	\$ 18,960,721 ....	\$ 67,004,697 ....	\$ 8,445,709
" 14.....	75,000,907 ....	18,630,715 ....	66,437,950 ....	8,426,074
" 21.....	74,373,014 ....	18,287,842 ....	65,120,091 ....	8,439,721
" 24.....	77,684,663 ....	18,523,024 ....	69,906,687 ....	8,488,326
" 28.....	73,525,885 ....	18,291,689 ....	64,436,411 ....	8,416,013

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows :

QUOTATIONS :	June 2.	June 9.	June 16.	June 23.	June 30.
Discounts.....	4 .. 4 @ 4½ .. 4 @ 4½ .. 4 @ 4½ .. —*				
Call Loans.....	2 .. 2 @ 2½ .. 2 @ 2½ .. 2 .. 2 @ 2½				
Treasury balances, coin	\$128,342,776 ..	\$127,933,692 ..	\$125,429,614 ..	\$121,790,676 ..	\$119,417,910
Do. do. cur.	\$10,161,228 ..	\$9,801,702 ..	\$9,799,376 ..	\$9,557,563 ..	\$10,094,897

\* Rates for commercial paper are entirely nominal, in consequence of the demand for money on call.

Sterling Exchange has ranged during June at from 4.85½@4.89 for bankers' sight, and 4.82½@4.86½ for 60 days. Paris, francs—5.20¼@5.15¼ for sight, and 5.22¾@5.18¾ for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, \$4.81½@4.82; bankers' sterling, sight, \$4.83½@4.84; cable transfers, \$4.85@4.85½. Paris, bankers', 60 days, 5.22¼@5.21¾; sight 5.20@5.19¾. Antwerp, commercial, 60 days, 5.27¼@5.26¼. Reichmarks (4), bankers', 60 days, 94¼@94¾; sight, 94¼@94¾. Guilders, bankers', 60 days, 40@40¼; sight, 40¼@40¾.

## DEATHS.

BIDWELL.—ON June 13, aged fifty years, JAMES E. BIDWELL, Cashier of Middlesex County Bank, Middletown, Conn.

BLAKE.—ON June 17, GEORGE BATY BLAKE, of the firm of Blake Bros. & Co., Boston, Mass.

BURT.—ON May 10, aged forty-five years, SAMUEL P. BURT, of the firm of S. P. Burt & Co., New Bedford, Mass.

HUBBELL.—ON May 27, S. B. HUBBELL, President of the Exchange Bank, Medford, Wis.

SCHWARTZ.—ON June 23, aged sixty-one years, WILLIAM SCHWARTZ, President of the German-American Bank, Baltimore, Md.

STEVENSON.—ON June 27, JOHN A. STEVENSON, formerly President of the Louisiana State Bank of New Orleans.

THAYER.—ON June 6, aged seventy years, CHARLES L. THAYER, formerly President of the National City Bank, Boston, Mass.

THE

# BANKER'S MAGAZINE

AND

## Statistical Register.

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### THE NEW YORK BANKS AND THEIR CUSTOMERS.

The month of July has not been favorable for business. There has been no panic in Wall Street, but several failures have occurred of more than usual importance. The cause of some of these has been ascribed to the banks in withholding discounts. Of course, there was a cause of some kind, and this was a convenient and easy one to give. Moreover, it was sure to be regarded with some favor, for a class of persons exist who are always ready to believe almost any report concerning the conduct of a bank, harmful to the interests of its dealers or the public. Perhaps they are secretly if not openly pleased when they learn that a bank is really guilty of some act for which it is justly liable to criticism. Banks are no exceptions to other business institutions; the bulls and the bears are to be found everywhere in this life, the entire race, in truth, is pretty generally divided up into one class or the other.

Is the accusation true, that any of the late failures have been caused by the banks denying their usual accommodation to their customers? Furthermore, is it the duty of a bank to sustain its dealers on every occasion like this through which we are now passing?

To answer the first question a brief explanation is necessary. Ten years ago, that is after the depression of 1873 set in, merchants and other business men began to rely more largely than before on note-brokers to raise them the funds needful to transact business. Their notes were made and given to these persons and by them negotiated, and the proceeds were returned to the makers. This kind of business had been done for many years and is a perfectly



proper one. But within ten years it has enormously increased. There were several reasons for doing so. In the first place, a merchant could keep the condition of his business better concealed. When all of his paper was discounted at a single bank it knew how much he owed, and had a better knowledge of his condition. When his paper was made and sold through note-brokers, how could a bank know how much he owed? All was conjecture.

But another thing has happened. Many business men within a few years have opened an account with a private banker or broker, with whom deposits are made. Interest is allowed on them. In many cases, we fear altogether too many, merchants have accounts of a speculative nature with brokers, and which have not proved profitable to the depositor whatever may have been the case with the broker. The person receiving the deposits has in turn deposited them with a bank, and thus his account with that institution has been largely swelled, while that of the merchant with the bank has decreased.

Now in times of monetary pressure what dealers of a bank will be the best served? Why, those who are the most important to the bank. And who are those? In many cases they are brokers and private bankers, made thus important largely by their depositors. Hence it will be seen that when the merchant concludes to divert a portion of his daily deposits from his bank to an individual, he not only diminishes his importance with his bank, but he also assists in raising the importance of another dealer of the same or a different bank over himself.

When merchants concluded to change their mode of making deposits, and of relying on note-brokers to raise money for them, they doubtless considered these things. They did not act blindly. They thought, on the whole, it was more profitable to deposit a portion of their funds at a private place, and get interest, than to continue in the old way.

But it may be that they did not see all the consequences involved in taking the step. One of the most serious was that they diminished the value of their accounts with the banks. They virtually said to them we can get along without you. As this is a free country they could do so if they desired.

But to whom did the brokers sell the paper? To the banks which therefore hold two kinds of paper. One kind consists of the discounts of their customers, and the other kind is bought paper. Now, from all we can learn, the banks are discounting to their regular customers freely, and are desirous of aiding them to the utmost limit that safety will permit. But it is true that they are not buying so much paper as they did. This is the case, especially with the banks in the large cities. They hesitate and have reason for so doing. All along they have known that the risks were much

greater in buying paper than in discounting to their regular customers. As we have seen, they knew too little about the standing of persons whose paper was presented for purchase. The business was done in the dark. Last year several large leather failures occurred, and many of the banks lost considerably from having the bought paper of these concerns on hand. They declared that it was safer to loan their money on stock collaterals than to invest it in the paper of men concerning whose means and integrity they knew hardly anything. And the banks were right. It was the safer course. Now, why should they buy paper if they think they can employ their funds more wisely in some other way? Why should they be blamed if they decline to buy at all, any more than jobbing houses should be blamed for not making as large purchases as they did last year of the commission merchants? Suppose that the banks should conclude, that the risks on bought paper were too great to assume, and that henceforth they would not buy any more, could any person justly blame them for adopting such a policy?

One word more. It is said that one of the large houses in New York failed because they could not sell their paper as had been their custom. Very likely the report is true. But what bank knew of their condition? They had depended on their own wisdom and resources, and it is fair to presume that no bank knew of their real condition, or would have been justified in rendering aid if desirous of doing so. This is one of the results of cutting loose from banks, and of depending on note-brokers. There are gains and there are risks attending such a course. If a merchant be very strong and never likely to need the assistance of a bank, he may get on successfully without one, but he cannot eat his cake and have it too. He cannot run his deposit account down to a low figure, and depend on note-brokers for money in good times and then count on the assistance of a bank in bad times.

It is said that the very large reserve held by the New York banks is proof of the denial by the banks to an unusual degree of accommodations to their customers. The truth is the existing large reserve is occasioned by the refusal to make call loans for the benefit of Wall Street. At this season of the year money is often worth three per cent. on call, while this year it is worth only one. This rate is too small for the risk involved; the banks, therefore, are making fewer loans of that class. It would be well if they always maintained their present opinions concerning the undesirableness of loaning their funds in that manner. In Chicago, the *Chicago Tribune* says that it is the testimony of the best observers that no really good concern need fail for the lack of loans. It is the policy of the banks to help them as much as possible. Considerable quantities of paper are still sent there for rediscount, and a large proportion of it is accepted.

The banks are pursuing a wise and conservative course, and if no more serious charge could be brought against them than this, we should rejoice. On the whole, with few exceptions, they appear to be conducting their business with great wisdom, and with perhaps a keener and more intelligent sense of their responsibility and relations to the business of the country than at any other time in their history.

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### THE PUBLIC FINANCES.

The reduction of the net debt of the United States was \$9,217,256 during the month of June, and was \$101,049,971 during the fiscal year ending on the 30th of June. The available cash balance on the 30th of June was \$139,887,439, which is \$1,215,039 in excess of the forty per cent. of the amount of the outstanding greenbacks, which the present Secretary of the Treasury and his predecessors have considered to be, since the resumption of specie payments, the balance proper to be maintained.

The customs revenue during the last fiscal year was \$195,627,291, being a decline of \$19,079,205, as compared with the preceding year. The decline during the current year, as a consequence of the great and increasing depression of prices and business, must be very much larger. In the month of June the customs revenue at the city of New York was only \$9,752,969, as compared with \$14,113,254 during June, 1883. With the enormous shrinkage in the value of our exports, it is impossible that our imports should be kept up on the scale of the last four years. The tariff revenue has always been subject to great fluctuations in this country.

The internal revenue during the last fiscal year was \$122,004,498, being a decline of \$22,715,890, as compared with the preceding year. The decline would have been greater but for the extra receipts from the taxes on whiskey, arising from the refusal of Congress to extend the times of payment on whiskey in bond. The same cause will continue to operate until about March 1, next, and this may prevent much further decline in the internal revenue during the current fiscal year, but a serious fall in it may be looked for during the next fiscal year, as the whiskey tax is the most important part of it.

While the aggregate revenues of the current fiscal year are certain to be less than they were during the last fiscal year, the probabilities are that the expenditures will be greater. It is true that certain large new expenditures, which it was supposed Congress would order during its late session, were not ordered. An education bill, adding \$10,000,000 to the annual expenses, was passed by the Senate, but not reached for action by the House. The Mexican War

Pension bill, originated by the House, was returned by the Senate with amendments, and would have been passed by the House as amended, if it had not been staved off by the parliamentary process which is familiarly known as filibustering. The supporters of the bill estimate the cost of it at (say) \$16,000,000 per annum for ten years, or \$160,000,000; while its opponents insist that the actual cost of it will be at least \$250,000,000. But while these two very large items of new expenditure have been, if not defeated, at any rate postponed, the only reduction from the expenditures of last year seems to be that of a little more than \$3,000,000 in the interest of the public debt. That is a valuable saving, because it is a permanent one, but for the present year it will be more than offset by increased expenditures upon rivers and harbors. None of the public establishments have been cut down, and the army and navy swallow up more money every year by the growth of the retired lists, and in other ways. From the reductions in postage rates, the Post Office Department will be a greater burden upon the Treasury. There will be a large payment on the Alabama claims during the present year, and it will be none the less an expenditure because it is not an ordinary, but an extraordinary, one. On a general view of the case it seems to be not merely probable, but certain, that the aggregate expenditures will be greater this year than last, and if it proves to be so, the surplus will be much smaller, inasmuch as the tariff revenue cannot fail to be less. We do not now believe that the surplus will reach \$75,000,000, and it is more likely to fall to \$50,000,000. Whatever it may be, it will be less next year, from the drying up of the receipts from the whiskey tax which will then occur.

On the closing day of the late session of Congress, Mr. Alison, the Chairman of the Senate Committee on Appropriations, concluded an elaborate review of the appropriations for the current fiscal year by saying, that in his opinion the surplus would not be more than \$20,000,000, or \$25,000,000, by which he intended, as we understand him, the surplus above the sinking fund, which is for the present year \$46,269,756. Including that fund, there would thus be left applicable to the debt about \$70,000,000, but in his calculations Mr. Alison made no allowance for that falling off in the revenues of this year, as compared with last, which seems to be inevitable.

At the next session of Congress, now only four months off, the House may pass the Senate education bill, and will almost certainly pass the Mexican War Pension bill in some form. With more time to act on it, the House may not be disposed, as it was at the end of the late session, to agree to all the amendments of the Senate, but it will be likely to agree to enough of them to secure the concurrence of that body in the passage of the bill, for which in its origi-

nal shape there was, and is, an overwhelming majority of determined adherents in the House.

Upon the whole, the outlook must be admitted to indicate that it will require the greatest vigilance to sustain the National credit. The next and inevitable step after ceasing to reduce a public debt is to enlarge it, and if we once break away from the pledges of the sinking fund, the debt of this country will not merely be perpetuated forever, but it will soon be much larger than it is to-day.

The internal revenue must be preserved in its entirety and in its full present efficiency. The taxes on whiskey, tobacco and beer are each and all of them the very best sources of public income. They reach no man's necessities, are only paid by those who choose to pay them, are approved in the experience of other countries, and are thoroughly satisfactory to the people of this country. The politicians will soon discover that the public judgment in favor of all those taxes is irreversible, and when they do, they will cease to make them the objects of demagogic attacks.

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### TAXATION OF DEPOSITS.

The committee appointed by the New York Clearing-house, to consider what measures are necessary to improve the methods of conducting the banking business, have reported that the payment of interest on deposits should be discontinued. The country banks at the present time keep a very considerable portion of their reserve in New York, which they are permitted to do by law, and on which they receive interest. If the recommendation of the committee should be adopted, it is said that these reserves would be withdrawn, and the banks would have a smaller amount of funds than they have had hitherto with which to supply the wants of the community. The members of the committee were not unanimous in their recommendation, and it is by no means certain that the report will be adopted. On several occasions a similar recommendation has been made by committees representing the New York banks, but no favorable action thereon has been taken which has gone into effect.

Two opinions prevail; one is, that the payment of interest is harmful, leading to several disastrous results; the other, that it has long been the practice among the English banks to pay interest on deposits, and that it should be encouraged here.

No one will question the fact that the banks which pay interest on deposits must be more eager to employ their funds than the banks which do not pay interest. The banks which promise to pay must loan the deposits received, or they will lose money by the

operation. The banks which do not pay can exercise a larger degree of independence, for no loss is incurred if loans are not made. This, however, is only a very general way of looking at the matter; let us get a little nearer to it.

The country banks are the most desirous of sending their money to New York when there is the least demand for it at home. When they can lend at home, on good terms, there is no reason for sending it elsewhere. But when it is thus sent the money market in New York does not need it, and, therefore, in order to loan it, a very large amount goes into Wall Street in the form of call loans. We have no hesitation in saying that the less money which goes there the better for all kinds of regular business. The money thus absorbed performs no good office. But every now and then the money market changes, and the country banks want their deposits. These are the times when the New York banks also would like to retain them. The truth, therefore, appears to be this: when the money of the country banks is kept by the New York City banks it is not much needed anywhere, and if it is not, it is not an altogether prudent thing to pay interest for the use of it; when it is needed by the New York City banks the need for it by the real owners is far greater, and it is drawn away. Why, then, should such a great effort be made to attract money to New York? Its main function consists in feeding speculation in times when the rates of interest are low—that's all. When the money would serve a really useful purpose in New York it cannot be kept there; the rate of interest paid is not large enough to retain it, in view of the demand for it at home.

It is not likely that this question, which has been agitated for so long a time, will be settled now. Most of the banks will probably be unwilling to adopt any measure narrowing their freedom of action. They understand pretty nearly all the arguments pertaining to the question, and doubtless will pursue such a course as will be conducive to their several interests. Whatever may be for the general good, it is fair to say that their own profit will be considered first. Bankers are no exception to other business men in this regard.

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## SHOULD THE EXCHANGES BE ABOLISHED?

The exchanges serve a useful purpose, but they also bring evils. Their utility is not so great as many suppose, while the evils which they bring forth are multiplying and intensifying. They are becoming more visible and serious every day. As evils are connected with almost everything in this world, no one should be surprised if exchanges do not constitute exceptions. But in some things the good side is larger and the evil side the smaller. The church, for example, is imperfect, but it is a very much better institution than a faro bank, or a horse-trotting association.

Exchanges were devised to facilitate the exchange and sale of the productions of the earth, commodities, stocks, bonds, and other property. Before exchanges were created, sales took place, and they would just the same if these institutions were unknown. It may be that the transfer of property is more easily effected by them than it was before, but we think that this argument in favor of exchanges is not particularly cogent. To effect the sale of property ordinarily requires no elaborate machinery. Men know whether they wish to buy a thing or not, whether they can pay for it or not; no cunningly devised machinery is necessary to effect sales. A cotton manufacturer could buy his cotton just as easy if an exchange did not exist, as he buys it now. Does the woolen or the silk manufacturer ever complain because exchanges do not exist where wool and silk can be bought? Could not exporters and wholesale merchants buy corn and wheat, and pork and beef, if there were no produce exchanges? Surely these institutions are not needful to carry on these kinds of business advantageously.

The evils to which exchanges give rise are manifold. We do not propose to consider the subject in a moral aspect, but simply in a business one. In the first place, prices are regulated not by the causes which would ordinarily operate, but by a new series of causes which are the invention of the speculator. We may maintain that prices ought not to be controlled in this manner, yet we cannot deny the fact. It is true that speculators do not overlook the causes which would operate to affect prices; these, however, are seen, and made to do duty in a singular way. The truth is distorted and exaggerated, and thus prices are made to oscillate far more violently than they would if exchanges, and speculation growing out of them, did not exist.

Again, it is said that merchants, especially in seasons when trade is dull, speculate in a new and far more extensive way than they did formerly, with the hope of improving their condition. In con-

sequence of the creation of exchanges it is easy for them to engage in speculative ventures. What the result is we often know, though we do not learn of all the losses incurred. We know far more about such ventures when they prove profitable than when losses happen. In these cases if the speculators can maintain silence they will. They take no pleasure in announcing their misfortunes. Besides, their credit would be affected if it were known that they speculated. So, for one reason and another, not much is known of the real extent to which speculation is carried by the mercantile classes and of the losses they sustain.

Concerning the demoralization generally, which infects all who speculate, nothing need be said. It is an old and well-understood experience. The minds of thousands of business men to-day, and of their clerks, are not on their immediate business so much as on Wall Street, the produce and other exchanges in this city and elsewhere. Their attention is divided, unless, forsooth, the evil genius of speculation has obtained control of them so completely as to absorb their best thoughts and energies, and to rob them of the mastery over themselves. The spirit of speculation is widespread; it is injuring legitimate business in a thousand ways, and, worse than all, it is wrecking men morally and mentally, and rendering them unfit to engage in their regular occupations.

The courts have very generally condemned speculation as gambling. We mean by this the betting on futures, which is the main business transacted at the exchanges. In view of this fact, why should not the exchanges be closed by legal authority? We know that the remedy commonly advanced is that speculation will work its own cure. When a man's money is gone he must stop, but then, if he has once acquired the desire for speculating, the probability is, that as soon as he can command the funds with which to speculate he will begin again. The reformed card gamblers are very few. The reformed stock and cotton gamblers are still fewer. The desire once thoroughly aroused is aroused for life. The only way, therefore, to stop it is to remove the means for exercising the desire, just as the only way of keeping a drunkard sober is to keep him and rum apart. Among many of the failures which have happened of late, speculation has figured as a prominent cause. In the majority of cases of defalcations the money taken has gone in the same manner. Is not the question seriously worth considering whether, in view of the enormous and widespread evils, whose root can be clearly traced to the exchanges, they ought not to be abolished by the State, like other gambling houses to which they are, in the eye of the law, so clearly allied, and which long ago were condemned as detrimental to society, and their keepers as criminals.



## THE MARKETS AND AUCTIONS.

Within a few months an immense quantity of goods has been sold at auction for manufacturers and importers. These sales, while accomplishing the immediate object of their owners, entail grave consequences. The auction is the regular mode of disposing of some commodities, and this is especially the case in London. Wool, for example, is thus sold there by the importers, and by the growers in Australia. Doubtless this is the best mode of selling it, otherwise a different one would long ago have been adopted. But the sale of manufactured goods by the manufacturers in this country is a new expedient, employed during the last long period of depression, and again revived and employed in a still more general way. These sales are clear proof of an overstocked market, and an unwillingness to carry manufactured goods. Several reasons may lead the owners to resort to this method of disposing of them. One reason that operates is the fear that prices will decline still more, and, consequently, that their losses will be heavier than if sales are made through auction houses, notwithstanding the fact that the buyer has the advantage. But the loss, however great, is regarded as less than it would be if the goods were kept for a better market. The interest and insurance accounts are eating into their value in the meantime, and these considerations, coupled with the fear of a further shrinkage of prices, may very well lead many a manufacturer to sell his goods even at auction, pocket his loss, and know at once the amount of it rather than trust to the uncertainties of the future.

But another reason influencing them to sell is the necessity of raising money to pay maturing obligations. Probably this argument is a very potent one with the manufacturers who possess only a limited amount of capital and credit. They must realize whether they wish to sell or not. They have no alternative.

Now, where goods are thus sold, the worst difficulty lying in the path of the manufacturers is not removed, it is simply pushed a little further ahead. The difficulty is an excess of production, but when the goods are sold by auction they are in the market the same as before. They have simply been transferred from the manufacturer to the jobber. The market is in no way relieved by this operation, and prices are not improved. On the other hand, as the jobber buys more cheaply he marks them lower, and thus the general shrinkage of prices goes on more rapidly than ever. The load has simply been transferred from one class to another, and the manufacturer's eagerness to sell leads to a wider demoralization of the market than existed before.

In Great Britain the custom of the manufacturers is very different. They seek to unload their surplus in other countries in order to preserve their own market. Our manufacturers, who are so enterprising in producing goods, do not show anything like the corresponding enterprise in disposing of them. It is true that the facilities do not exist in this country for selling the goods elsewhere which the British manufacturers enjoy, nevertheless it may be questioned whether the American manufacturer is not very slow in this regard. So long as the auction mode is continued, no real relief will be obtained, the contest will simply be for the survival of the strongest. If production be not sufficiently curtailed, losses and failures are inevitable. These facts are so palpable that no one can ignore them. Neither can the banks who are interested in the prosperity of their customers. So long as the state of things continues they must exercise unusual care in making loans in order to avoid losses. The banks look with distrust on auction proceedings, they know that these sales mean usually heavy losses, and that caution is needful on their part. If the manufacturers desire to strengthen themselves with the banking world, either they should lessen their production or seek to dispose of it in a more advantageous manner than through the auction house.

### FINANCIAL FACTS AND OPINIONS.

The amounts and descriptions of United States bonds deposited for bank-note circulation were as follows at the dates named:

	<i>June 7.</i>	<i>June 28.</i>	<i>July 12.</i>	<i>July 19.</i>
Currency, 6s. ....	\$ 3,498,000 .	\$ 3,498,000 .	\$ 3,498,000 .	\$ 3,498,000
" 4½s. ...	45,087,000 .	46,416,900 .	47,146,400 .	47,248,950
" 4s. ....	110,188,200 .	111,355,400 .	112,419,400 .	113,209,900
" 3s. ....	177,349,950 .	173,861,050 .	170,029,450 .	169,087,150
	<u>\$ 336,123,150 .</u>	<u>\$ 335,131,350 .</u>	<u>\$ 333,093,250 .</u>	<u>\$ 333,044,000</u>

Between June 7 and July 19, two calls matured for the threes, each of the calls being for \$10,000,000. Between the same dates, the reduction of the deposited threes amounted to \$8,262,800, but in the aggregate of deposited bonds the reduction was only \$3,079,150.

The shrinkage of the National bank-note circulation has been at a much slower rate than was looked for last fall, the principal reason which is apparent being the decline of about four per cent., which has occurred since then in the market price of the fours. That decline may be recovered from when financial affairs become more settled, and in that case the banks, instead of buying more fours may sell some which they now hold.

The decline in the prices of commodities continues. Many of the manufacturers of north-western lumber are trying to arrange a general shutting down of the saw mills in September, but more from an apprehension as to the future than because the fall in the market has as yet assumed ruinous proportions. In the dry-goods trade the fall is very marked, and with the usual accompaniments of heavy failures and slaughtering auction sales. Imports of dry goods have not yet diminished greatly, but they certainly will in the present condition of our markets. It is true that prices of everything in Europe are low, and may go lower, but whatever point of decline they reach there, prices here must still shrink until the general volume of our imports falls to an equilibrium with our exports. The misleading assurances that markets will improve after August, or after the new wheat is harvested, or after the Presidential election is over, have no foundation to rest upon, and those who trust to them will be sure to suffer. There is less money in Europe, gold, silver and paper, than there was six years ago, while its population and exchanges have been increasing, although, of course, not at the rapid rate of increase in this country, and nobody can point out in what way its general volume of money is likely to be added to in the immediate future.

The reports of R. G. Dun & Co. of the failures in the United States during the first half of 1884, as compared with the first half of 1883, show an increase of eighteen per cent. in the number of failures, but the much greater increase from 66 to 124 million dollars in the aggregate amount involved. Of the increase of fifty-eight millions in the liabilities, forty-six millions were in the city of New York, and mark the effect of the break-down among bankers and large railroad and stock speculators. The increase of eighteen per cent. in the number of failures may therefore be taken as the best measure of the growing difficulties among merchants and those engaged in productive enterprises.

Dun & Co. express the opinion that the last half of 1884, upon which we have just entered, will show a more profitable demand for merchandise, but we are ourselves quite unable to see what is likely to happen to raise the general range of the prices of commodities during the remainder of the year. It is not possible that prices should rise here while they are sinking in Europe, as they persistently have been for three years and still are. The London *Economist*, of June 14, reviewing the course of British prices during the month of May, says:

Prices are, as a whole, lower on the month, including metals and all articles [sugar, tea, coffee, oils and tallow] in list IV.

It is the low and falling prices in Europe which swells the foreign imports of this country. The merchants and manufacturers on the other side of the Atlantic, finding the demand for their goods

slack at home, and slack in Asiatic and other countries which produce tea, coffee, sugar, &c., the prices of which are down to low water mark, are forced to use the United States as a slaughter market.

A city newspaper said, not many days ago, in reference to business aspects in this country, that there was "little inducement to put surplus profits in so-called securities," but that there was "a fair inducement to put them into regular business channels," and from that text it draws very optimistic conclusions as to the immediate future. We understand the facts of the case in precisely the opposite way. There has never been a time, within our recollection, when a larger proportion of those who have money to invest were determined not to put it "into regular business channels," but preferred to buy or loan upon securities believed to be safe, at the best obtainable rate of interest, no matter how low. This feature of the high price of accepted securities—or, what is the same thing, of the low rate of interest—is as marked in Europe as it is here.

May makes a bad showing as respects our foreign merchandise trade, the excess of imports having been \$7,348,669, as compared with an excess of exports in May, 1883, of \$1,791,637.

The merchandise exports in May, as compared with the same month in 1883, fell from \$58,066,194 to \$48,791,921, or more than nine millions, while the imports fell off only \$133,967. Indeed, considering the general fall in prices during the year, the quantities of imported articles must have actually increased.

Taking the first five months of the year, the returns of the foreign merchandise trade were as follows:

	1883.		1884.
Exports.....	\$343,832,172	....	\$290,132,172
Imports.....	237,388,007	....	280,588,007
Excess of exports .....	56,444,165	....	9,544,165

The excess of exports in 1884 being inadequate to meet our foreign interest payments, expenditures of American travelers in Europe and the freight bills of foreign ships, and the flow of American stocks and securities having been greater inwards than outwards, the net export of coin and bullion (gold and silver) was necessarily large, amounting to \$39,710,119. Taking merchandise, coin and bullion, we exported \$49,264,284 in excess of our imports, which was doubtless more than enough to meet the current charges which Europe has against us, and left something over to pay for the American stocks and bonds which Europeans have sent here for sale. Some persons are predicting an inflow of gold during the remaining months of 1884, but it is difficult to understand upon what ground such an opinion can be based. There can be no favorable balance of trade, in excess of our interest and other current annual charges abroad, which can cause such an inflow. We shall, of course, export a good deal of cotton during the fall months. We always do that; but Europe will pay for it, not in

gold, of which it has none to spare, but in manufactured goods which it must and will sell at any price which can be obtained. As to American railroad stocks, Europe is much more inclined to get rid of what it already has than to take on any more. There is, and always will be, more or less gambling in our railroad stocks, on margins, among the London speculators, but actual British investment in them is a thing of the past. We have securities, like the bonds of the United States, which Europeans would be glad to buy, but the prices of them are higher at home than anywhere else.

The London *Economist*, of June 28, says, in respect to American railroad stocks:

America is undoubtedly at the present time endeavoring to sell what she can here, and London is most indisposed to buy. Nor is the market for such securities better on the Continent.

The aggregate of the annual payments under the Mexican War Pension Bill, in the form in which it passed the House during the late session of Congress, was stated by its friends at \$40,000,000 although some of its opponents estimate it as high as \$70,000,000. In the House (July 5), Hon. Casey Young, of Tennessee, gave some startling statements, which he said he had received from an eminent actuary, as to the effect of the amendments made to the bill by the Senate. The payments to the widows, children and dependent parents of deceased soldiers in the civil war, he estimated at \$1,270,000,000. The service pensions to the same soldiers, that is to say, the pensions where there was no wound or loss of health by reason of service, he estimated at \$600,000,000 in the cases of soldiers who have already applied for pensions, with a probable addition of \$1,575,000,000, in the cases of soldiers who have not yet applied. These payments would be protracted over a long period, some of them extending fifty years, but the bulk of them would be made within thirty years. This is a very rich country, but \$3,445,000,000 is a good deal of money, even if we take rather more than the duration of a generation within which to pay it. The month between the presidential election and the re-assembling of Congress will be a favorable time for a calm consideration of the whole subject,

On the first of July the city of Baltimore offered \$115,000 of its four-per-cent. bonds, redeemable in 1925. The bids for them amounted to \$448,000. The awards were at premiums ranging from 10.78 to 14.25. The effect of the transaction is, that in consideration of receiving (say) \$130,000 in cash, the city of Baltimore agrees to pay \$4,600 annually, under the name of interest, for forty-one years, or \$188,600, and at the end of that time to pay \$115,000 under the name of principal, making a total of payments amounting to \$303,600.

The Baltimore *Manufacturers' Record* prints a list of the investments in new industrial establishments, and in enlargements of old ones in the Southern States during the first six months of the present year. The aggregate is \$70,000,000. Of course, the larger part of these investments must have been decided upon and commenced in 1883, and therefore they cannot be accepted as a measure of the disposition existing at the present time to embark in such enterprises.

Switzerland has given notice for the termination of the Latin Union on the thirty-first of December, 1885, but accompanies the notice with the intimation that it desires that the Union may be revised and still further continued. It was Switzerland which gave the notice when the terms of the Union were revised five or six years ago. The point of difficulty seems to be in the matter of complaints made by France, that Italy is not conforming to the spirit of the Union in certain respects, and particularly in requiring the banks to keep a specified percentage of their metallic reserves in gold. According to the French view, this is making a distinction between the two metals not consistent with the bi-metallic theory.

During the first four months of 1884, as compared with the corresponding months of 1883, the exports of silver from England to India increased from \$9,278,305 to \$14,225,155, but to China (including Hong Kong) they fell off from \$1,586,875 to \$817,305. The capacity of India to pay for silver and to absorb it seems greater than ever, and promises still to increase, unless there shall be some unexpected check to the present very marked development of its trade, industries and wealth.

France proposes to the holders of Tunisian bonds, now selling in the market at 522 francs, the option of taking either 500 francs in cash, or a new Tunisian bond with the guarantee of France for 500 francs at four per cent. interest, and redeemable in ninety-nine years. A syndicate of the Rothschilds and others have undertaken the negotiation of the proposed new bonds. Africa is rapidly becoming civilized after the European fashion. Egypt has a unified debt, and a preference debt, and a Daira debt, and now Tunis is to have a four-per-cent. debt, on ninety-nine years. Morocco's turn to be capitalized will come next, if it is true, as reported, that the French are on the point of rectifying the Western boundary of Algeria by taking in a slice of the adjoining country.

The Irish Land Act, passed in 1881 by the British Government, to aid tenants of land to purchase a fee simple title, authorized an advance from the public Treasury of three-fourths of the purchase money, at an annual interest of three and a-half per cent., the reimbursement to be made by annual payments over thirty-five years of five per cent. on the amount advanced. Very few purchases were effected under that Act, and it is said that few tenants were

able to pay the fourth of the purchase in any other way than by borrowing it of the "gombeens" or usurers, at an annual interest of twenty per cent.

The Act lately introduced by the Gladstone Ministry, but which has been abandoned in consequence of the combined opposition of the landed interest, and of the Parnellites, proposed the advance by the Government of the whole purchase money at three and one-quarter per cent. interest, reimbursable in annual payments over thirty-three years of five per cent. of the advance, upon the conditions (1) that the Land Commission should adjudge the price to be a fair one, and (2) that the county authorities should decide that the loan was a safe one, and should agree to make good from the county taxes any default in the payments of the tenant.

The official statements of the trade of India with all other countries, for the last three Indian fiscal years which terminate March 31, show the following imports and exports of treasure (gold and silver):

<i>Year ending March 31.</i>	<i>Import of Treasure.</i>	<i>Export of Treasure.</i>
1882.....	\$47,178,355	.... \$4,582,280
1883.....	56,054,820	.... 4,341,910
1884.....	53,658,185	.... 4,202,060

The average annual net import of gold and silver by India during the three years was, therefore, \$47,921,703, or quite one fourth of the aggregate yield of all the mines in the world. In the above statement Indian rupees are converted into dollars, at the rate of twelve rupees to five dollars, so that the imported silver is reckoned at its gold value. The Indian absorption of the precious metals, which is principally in ornamentation, is about two-fifths gold and three fifths silver, and will become constantly larger, unless the increase of wealth in India shall receive some unexpected check.

Bismarck adheres resolutely, and indeed aggressively, to the protective policy. About the middle of June he laid before the German Parliament a new tariff bill, raising the duties considerably on many articles. He added that he should shortly submit another bill to make "the system complete," which, according to the *London Economist*, means that he "intends to raise the duties still higher."

The Indian Government, after careful surveys and long deliberations, has decided to construct 3,396 miles of new railway during the next five years, at a cost of \$140,000,000. One half of the lines are to be built directly by the Government, and the other half by companies with some form of Government guarantee as to dividends. One of the principal avowed objects is the opening up of new wheat fields.

Although the yield of the South African diamonds is much less than it was three or four years ago, it is still large. Of the exports of the Cape Colony in 1883, amounting to \$36,145,000, in the whole, \$15,000,000 consisted of diamonds.

## A NEW WORK ON POLITICAL ECONOMY.

In the June number of the *BANKER'S MAGAZINE* we noticed the third and concluding volume of the *Cyclopedia of Political Science, Political Economy, and United States History*, edited by Mr. John J. Lalor. It is fitting that something more should be said on the work as a whole, while two or three important articles merit a fuller treatment than we were able to give to them at that time. By way of general remark it may be truly said that Mr. Lalor has produced a work of sterling merit which should find a place in the library of every thoughtful and serious student of American history and politics. He has collected and edited a large number of articles by prominent American and European writers, which, taken together furnish a great mass of information, on economic, political and financial subjects, not easily accessible in any other form. The facts are generally trustworthy, and the opinions, whether sound or not (which will, of course, be largely a matter of opinion), are at least usually based on thoughtful and detailed investigation. Mr. Lalor deserves the thanks of every student interested in political economy, political science, finance, and the political history of the United States, for the able and impartial manner in which he has performed his work as editor. The banker will find some interesting articles on the history and theory of banking in all its various forms: the economist, a fairly full treatment of many of the leading questions in economics; the financier, a notice of all the important financial problems of the American Government; and the student of American politics an exceptionally able treatment of the political history of our country.

In view of the great service he has done, it may seem somewhat ungracious to criticize Mr. Lalor's work as severely in some respects as we feel bound to do. And yet it is only by such criticism that the defects of the work can be made evident, and the way opened for future improvements. In the first place, the biographical element in the cyclopedia should either have been omitted altogether, or made much more prominent. Such short notices as are given in most of the biographical articles possess neither interest nor value. If one wishes to find out anything about these men, one can get no satisfaction from a ten or fifteen line statement, and the mere facts of date, and place of birth and death can be found in any ordinary cyclopedia. If the list were fairly complete, it would possess, of course, a certain value as a biographical dictionary, but not even that modest claim can be set up for this element in the cyclopedia.

The religious element might also have been omitted without in-



juring the value of the work. The articles on *Brahmanism*, *Buddhism*, *Christianity*, etc., might have much better given place to a more elaborate treatment of many questions which have received only very scanty justice. All these various religions have, of course, an economic aspect, but it might have been presented in very much less room and in very much better manner.

The articles on the various nations and countries of the world contain too much that is purely geographical, which any one can find in an ordinary school geography, and too little about the political institutions and economic and financial history. The articles in such a special cyclopedia as this should all be written by men who have made political, institutional, economic and financial history the object of special study. Almost any one can write an article of fifty or one hundred pages about any of the great nations of the world, but the information one seeks in a work of this kind is of a special and peculiar character which but few men possess, and which, we are sorry to say, cannot be found in many of the articles on the different countries in this book.

Too many of the contributions are by foreigners. We are safe in saying that there is hardly a single article taken from foreign works which might not have been greatly improved, and made much more valuable to American readers by being at least rewritten and modified by some American specialist. Some of the articles, indeed, have not been even brought down to date by such additions as could easily have been made.

As a final criticism on the general plan of the work we would say that it shows a lack of the sense of perspective. Many topics receive too much attention and space, and others too little. The cyclopedia reveals in certain parts a lack of definite plan and careful division of labor which results in many repetitions and omissions. Some articles were evidently inserted for padding, and others because the name of the author was wanted in the list of contributions.

Some of these faults could hardly be avoided under the circumstances. It is not always possible to get just the right man to treat the right subject at the right time, particularly in a country which possesses comparatively few writers who are fitted by education and training for this sort of work. We are fully enough convinced of Mr. Lalor's fitness for the task of editorship, to be sure that he is as well aware of these deficiencies as any one. Another consideration had to be kept in view all the while, and that is that the cyclopedia is a business venture also and must be made to pay if possible. Consequently, Mr. A's name must be had, no matter how inferior an article he sent in, and it is a striking fact that some of the most unsatisfactory articles are signed by the best-known names.

The third volume is decidedly the best of the three. There are more articles by Americans in it than in either of the others, and they are many of them of decided merit.

The subject of protection is discussed from the ultra free-trade standpoint, by G. de Molinari, and from the opposite standpoint by David H. Mason. Mr. Mason shows much more zeal than discretion in his presentation of his case, and while we agree with his ideas in the main, yet we dissent strongly from many of his statements, as, for instance, when he says that the sole function of Government is protection, or when he asserts that man's selfishness is always stronger than his sympathies for his fellowmen, or when, to prove his statement that all wealth springs from labor, he asserts that even the natural forces and the earth are the products of labor—God's labor—(*sic*). On the whole, we cannot regard Mr. Mason's article as containing a strong statement of the case for protection. A bit of humor is to be found at the end of this article in the shape of a note by the editor, in which he apologises for inserting such an article, remarking that "since the cyclopedia is a scientific work, and since a consensus of political economists may be said to exist as to the truth, and therefore as to the expediency, of the principles of free trade, it may seem odd that this article has been admitted." This is very good, in view of the fact that with but few exceptions the ablest American writers on political economy have been protectionists, that Mill himself is a protectionist to such an extent as to give away the whole case as ordinarily presented by free traders, that the keenest of his living disciples, Sidgwick, goes even farther than Mill, and that at present three out of four of the prominent German writers on economics are protectionists. In fact if a vote were to be taken to-day among the thoughtful writers and statesmen of the civilized world, it is a question whether free trade or protection would poll the more votes, and the reaction against the Malthusianism and Manchesterism, which a few years ago reigned supreme, is increasing with every passing year. The idea of apologizing for presenting the views of such a large and intelligent class of thinkers as the protectionists is very good indeed. Verily there must be an *odium economicum*, of as virulent a type as the *odium medicum* or *theologicum*.

The articles on taxation and finance are numerous and able. That on the principles of taxation, by David A. Wells, is especially noteworthy. It embodies, we may suppose, the carefully expressed thought of a man who, for many years, has figured before the public as a leading authority on matters of taxation. It is, therefore, worthy of careful attention. The article suffers from one of the well-known characteristics of Mr. Wells: that, namely, of forming an opinion as to what is practically desirable, and then proceeding

to construct a theory from which the practically desirable shall be made to appear as the logically consistent. In this case, for instance, he favors the collection of local revenue entirely from taxes on real estate as practically the desirable thing, and then he proceeds to develop certain "principles of taxation" which may justify his views. This is a very convenient method indeed, but not very trustworthy or convincing to the careful student.

Mr. Wells is not at all consistent in his exposition. He says, in one place, that the power of every Government to tax must be exclusively limited to subjects within its territory. From this he deduces the proposition, that for one State to tax property belonging to its citizens which lies in another State, is unsound both in law and economics. And yet, in another place, he says the subjects of taxation are either *persons, property, or business*. If this be so, a State may—nay, does—lay a tax on its own citizens in proportion to their supposed ability, as measured by their property or any other sign which the Government may choose to establish. This whole matter of "double taxation" which Mr. Wells is looking forward to, in laying down the above proposition, is not by any means so simple a matter as he tries to make it. When he says that the difficulty is peculiarly American, and states that if he were writing this article for a European cyclopedia, the discussion of extra territorial property by a State would have no place, simply because, except in the United States, there is nowhere such a system of taxation, Mr. Wells simply shows, what is amply proved by other remarks, that he has made only the most superficial study of foreign systems of finance. On the contrary, while the question has not been so extensively agitated abroad as here, it has at times excited the most lively discussion. As the result of long agitation in Germany, for example, a law was finally passed, no longer ago than 1870, forbidding one State of the confederation to tax landed property lying within the territory of another. But, even as the law now stands, one municipality in Russia may tax the income from landed property lying in another municipality, and while income from landed property in a foreign country may be exempt from taxation if the land be taxed by that foreign country, yet income from other kinds of property is not exempt. As to foreigners not noticing this question, Mr. Wells may find ample refutation of such a statement by reference to the second volume of Schönberg's *Handbuch der Politischen Oekonomie*. It is an exceedingly important question, and likely to become more so as time goes on, and can certainly not be solved so summarily as Mr. Wells evidently thinks.

Mr. Wells' justification of the right to tax because of protection accorded is thoroughly unsound, and is now no longer held by any thinkers of any great importance in the domain of political science.

Within the course of this very article it is indeed given up, and the right is described as an incident of sovereignty growing out of the very nature of the State. The idea that the State exists solely for protection, that it is nothing but a great insurance society, no longer commands any respect among scientific theorists, and yet it is this idea which lies at the basis of much of Mr. Wells' reasoning. He still clings to the notion that the citizen stands to the State in a purely commercial relation, and that he can dicker with it much as he would dicker with a fellow citizen for a coat or a pair of boots. It is this mode of thought which is characteristic of a whole school of New England statesmen and theorists which has reduced and is reducing the influence of New England in our National politics and economy.

The old notion of equal diffusion of taxation so thoroughly exploded by late English and German economists reappears in this article. Tax one class of things and the burden will diffuse, and as the result of percussion and repercussion, nobody will have to bear more than his share. It has been as clearly proved as anything can be in the realm of economics, that the burden of taxation will rest on those who, economically speaking, are the weakest in the great struggle of industrial life and competition. If the tax be levied on the producer, says Mr. Wells, the consumer must pay it. That does not follow at all. The consumer makes the same effort to get rid of the tax that any other person does, and he will bear it only when he is obliged to bear it, *i. e.*, when he becomes the economically weakest.

Suppose a tax be levied on wool-producing sheep. The farmer tries to shift it to the shoulders of the buyer. Whether he succeeds or not will depend on his economic position toward the buyer. If his anxiety to sell is greater than the buyer's to buy he will probably have to assume the tax, and he will probably be able to shift it if the relation is reversed. Suppose the buyer assumes it, he has now the same problem as the farmer, and he and the manufacturer struggle with each other. Suppose the manufacturer is forced to assume it, the same struggle occurs again, and so on through the wholesale dealer, retailer and consumer. Now, the man who is weakest in this chain must bear the burden, and the hundreds and thousands of failures in the country in all lines of business give abundant evidence that the burden of the tax never got to the consumer, but stopped somewhere on the road. It would seem perfectly clear that any attempt to shift the burden of taxation more completely than at present to the shoulders of the farming classes, in the Eastern States especially, must react unfavorably on the interests of that class. If the burden is not lifted by supplementing direct taxation by indirect in some form, it is more likely that an income tax will be established than that a single universal land tax be accepted as the sole source of local revenue.

There is no space left to discuss other points in Mr. Wells' paper, but we hazard the prophecy that the theory of taxation which is elaborated in this article will never acquire much influence in this country. It is based on an inadequate acquaintance with the financial history and experience of other countries, and upon a very incomplete generalization from our own experience. As an article for a cyclopedia it is defective, since it gives only the author's opinion and no inkling of how such ideas have been received among financiers and economists in general. It would leave a novice with the notion that this theory represents the latest development of financial science, whereas it is a unique combination of a number of old errors.

P. E.

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### CONVERSION OF THE BRITISH DEBT.

The plan of Mr. Childers, the British Chancellor of the Exchequer, submitted to Parliament, April 25, for the conversion of the three-per-cent. consols into securities bearing lower rates of interest, included the offer to the holders of consols of the option of exchanging 100 of them for 102 of two and three-fourth per cents, redeemable after 1905, or for 108 of two and a-half per cents, which the London *Economist* describes as "not to be thus subjected to redemption." This means, perhaps, that the proposed two and a-half per cents are not to be redeemable at all; and that the Government, if it ever has the means to pay them, is to be left to take its chances as to the rates at which they can be purchased hereafter in the market.

If the holders of consols agree to these terms, the annual saving of interest on £1,000,000 of them will be £1750, if they are converted into two and three-fourths, and £2200 if they are converted into two and a-halves, after making the necessary reduction of the sums required to sink the premiums allowed on the conversions. That the holders of consols will agree to the terms is made certain by the fact that the announcement of Mr. Childers' plan was followed by such a rise in the price of the two and a-halves now outstanding, and by such a fall in the price of consols, as will enable the Government to sell the proposed two and a-halves in the market and apply the proceeds to the purchase of consols at a still greater advantage to the public treasury.

The prospect arising from the proposal of Mr. Childers, and from the favor with which it was received in Parliament, that the rate of interest on the British debt would soon be lowered, led at once to a general belief that a fall in the rate of interest on all kinds of securities would follow. The market for securities on fixed terms of time rose immediately, as will appear from the following quota-

tions of prices in the London market just before and just after the announcement of the plan of the Chancellor of the Exchequer:

	April 24.		April 29.
British 2½s.....	91	....	93½
India 3½s.....	101¾	....	103
Victoria Colony 4s.....	102	....	103
London 3½s.....	107¾	....	108¾
Liverpool 3½s.....	100¾	....	101¾

Between the same dates, the prices of the four-per-cent. bonds of the Great Eastern and of the London and Northwestern Railways improved one and a-half per cent. The only fall was from 102½ to 101¾ in consols which are menaced by a compulsory redemption, if the holders do not agree to new terms.

The course of things in England, which will be the result of a lowered rate of interest on its National debt, will be the same in kind as that which followed in this country the reduction of the interest of our National debt. It will be less in degree, because the reduction which is proposed in the English case is comparatively small.

As all the European money markets are intimately connected with each other, the prices of French and Italian *rentes* have risen in consequence of what is happening in London. The Italians are already discussing the possibility of effecting a reduction of the rates on their public debt. The French are less likely to make a movement of that kind, as their debt is all held at home and is so widely diffused among the people that the holders constitute a political force which Cabinets avoid offending if they can.

While there is no open opposition to the plan of Mr. Childers, it is known to involve consequences disagreeable to many classes. What the British tax-payers save by a reduction of interest on the public debt, is so much lost by those to whom the debts are due, some of whom are by no means rich. The savings banks in England, which are compelled by law to invest their funds in consols, will no doubt be obliged to reduce the rate which they allow to depositors from two and a-half to two per cent. The London *Economist*, which, while not opposing the Childers' plan, is naturally in sympathy with those whom it injures, either directly or consequentially, says that "mortgage rates may in time be influenced by the coming conversion," and that "the reduction upon fixed income will be a hardship upon many a family."

The effects of a permanent reduction of the rate of interest upon loanable capital are many and important. It is conceivable, although not probable, that the reduction might go to the length of sensibly impairing the motives to thrift and saving, inasmuch as the power of capital to produce income is one of the most attractive of the features which induce men to submit to labor and self-denial in order to obtain it. On the other hand, the rate of interest is often so high as to give to loaned money so great a

share of the profit of operations as to take away any motive for engaging in productive enterprises. The actual rate will, however, not be affected by the views taken of it from different standpoints, or by the diverse wishes which men may have in reference to it. It is the law of supply and demand which governs the rate of interest, just as surely as it governs the prices of commodities and the value, in the sense of purchasing power, of money. And inasmuch as under the conditions of modern civilization, it is the normal tendency of capital, aside from extraordinary calamities, to increase much more rapidly than population, there would seem to be a tendency in the rate of interest to fall, until the fall reached a point at which the further accumulation of capital would be checked. This tendency in the rate of interest to decline would without doubt have been manifested in a more marked degree within the past twenty-five years, if it had not been checked and counteracted by the enormous demands for loans made by Governments for war purposes, notably by the United States, France and Russia. The two last-named countries have borrowed so much, that it would seem impossible for them to take on any more load of debt, and this country, while it could borrow more if it sees fit, appears to be determined to pay off what it now owes.

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## THE DEVELOPMENT OF ITALIAN FINANCE.\*

[CONTINUED FROM THE JULY NUMBER.]

Such is the situation of Austria and of Russia, and such it was in the United States during and after the war of secession. In Austria the depreciation is not so considerable as it was on the average in Italy, because silver is the single monetary standard of Austria. Nevertheless this depreciation causes considerable losses. Thus, from the report of the railroads of Lombardy, it appears that in 1880 the company suffered from depreciation to the amount of 7,331,131 francs, making impossible the declaration of any dividend. In 1882, the *Fondiarìa*, an Italian insurance company, stated in its report, that the diminished depreciation produced a profit in Italy of 600,000 francs, which alone made a dividend possible. In Russia the loss on the paper rouble varies from thirty to forty per cent. Though Russia is very differently situated from Italy and Austria, this depreciation does much to retard the development of her immense resources. This explains the haste of the United States to repair the damages done to their economic situation by the war of secession and paper money. There was a time in 1864 when the premium on gold ran up to 85. In 1867, after peace, it was still 46¾;

\* Adapted from the French of E. Fournier de Flaix in the *Journal des Economistes*.

having touched par in 1870, it went up again to 19.50 in 1873, and only disappeared at the end of 1878. At this time the United States had withdrawn all the paper money bearing interest and redeemed four milliards out of the fourteen of the consolidated debt. It took them, consequently, over twelve years to do away with the depreciation, notwithstanding their extended resources and energetic Government. They stopped at no sacrifice, because they understood clearly the immense losses resulting from the depreciation. The misery of India is due in part to depreciation. In India the depreciation does not proceed from paper money, but from the circulation of silver, exposing it to a disastrous depreciation in its relations with nations having a gold currency. Though the cause is different, the effects are the same; they are a ruinous and crushing loss to production, a perpetual tax, for English and European debts must be settled in gold, while the debts due India are paid with the money of the country.

The statesmen and economists of Italy understood the situation perfectly. They did everything possible to enable Italy at the earliest moment to escape from the influence of the paper money and the depreciation. They resolutely abstained from military adventures, distant expeditions, useless colonies, extensive public works, and from loans. They thought only of balancing the budget, knowing well that this equilibrium was the first condition of the disappearance of the depreciation, and of lightening the taxes that weighed heavily upon people and production. Public opinion, with few exceptions, approved of their efforts. The most important interests of Italy were intrusted to a series of statesmen, worthy of all confidence, Messrs. Sella, Scialoja, Minghetti, Luzzatti, Magliani, to name those only that were occupied with economic questions. But neither the counsels of the economists, nor the wisdom of the statesmen would have been sufficient without a great effort on the part of the country; Italy made this effort, as is shown by her progress in the different branches of production from 1866 to 1883. This progress furnished the means of renovating the economic condition of Italy; and when this renovation was accomplished, the depreciation disappeared of itself, because the economic condition was a guarantee that Italy no longer needed to have recourse to expedients, that she could dispense with anticipating the future by means of a circulation that was only a bill of exchange drawn upon future generations, that in 1883 she was able to meet the bill that had been drawn in 1866 and since. Thus in agriculture the cereals produced had increased to 104 millions of hectoliters; the oils to 3,400,000 hectoliters; the wine to thirty million hectoliters; the silks to 2,300,000 kilogrammes. In 1867, France bought of Italy wines valued at 700,000 francs, in 1881 to the amount of seventy-two millions. Industry had made great progress, notably the manufacture



of silk, cotton, wool, soaps, perfumery, porcelain and glass; coal, zinc, copper and lead mines had been opened.

The commerce of Italy began to change its character. In 1866 the imports amounted to 870 millions, against exports of 617 millions, but in 1878 the exports balanced the imports, showing that the products of Italian industry were finding their way to foreign markets. One of the chief industries was that of silk and silk goods. From 38,000 hundredweight of raw silk, cocoons, floss silk, and residue, in 1862, the exportation of silk had increased to 91,000 in 1877. Two million spindles were in operation. There was the same progress in the manufacture of textile fabrics, and it was estimated that from 1870 to 1880 Italy doubled its looms (30,000 instead of 14,000), and raised its production of silk goods to forty-five millions, exporting to France, Austria, and the East. The industrial population of Italy, calculated at three million souls in 1860, appears to be at present about 4,500,000, and wages have on the whole increased in the proportion of 107 to 124.

The railways increased from 1,472 kilometers in 1859 to 9,000 in 1883. Navigation naturally participated in this progress, growing from sixteen million tons in 1866 to thirty-five millions in 1882.

The results of this progress were shown by other and more general facts. Italian Government securities fell in 1866 to 41, 36, and in 1870 to 44, went up in 1872 to 71, fell back in 1874 to 59, and at the end of 1880 reached 89. Italy, without giving way, though severely tried, could support an increase or produce a surplus of taxes from 1862 to 1882 of 700 millions.

While in 1862 the income from the direct, land and personal taxes amounted to 5.87 lire per head of population, the returns of 1881 raise this average to 13.93 lire. The taxes on business gave in 1862 an average of 2.51 lire per head, and in 1881 6.31; and the taxes on consumption increased from 8.38 to 18.07 lire. The revenues of every kind of the provinces, from 1863 to 1879, went from 30 millions to 77, and those of the communes from 279 millions to 829.

Notwithstanding this increase of the public charges, the savings increased with great rapidity. In 1862 Italy had 443 mutual aid societies, with 121,598 members, and in 1878 there were 2,091 societies, with 331,549 members.

But, of all the symptoms, the most satisfactory was and is, on one hand, the harmony between all classes of Italian society, and, on the other, the scientific direction of this whole movement by many intelligent and devoted men. Nothing is left to chance; the political and social mechanism is studied both on its good and bad sides; all the experiments of foreign countries are closely watched; the experimental method, that renewed the physical and natural sciences three centuries ago, is largely used to bring into

the foundations and entire structure of modern society, not the confusion or metamorphoses of fleeting caprice, but profound and lasting modifications, based upon accurate knowledge of the ideas and needs of the present time, its resources and bonds of union with the past.

#### ABOLITION OF THE FORCED CURRENCY.

The best proof of this scientific direction of the economic movement of Italy is afforded by the skill, prudence and consummate knowledge of financial facts with which the operation has been conceived, prepared and executed. It was preceded by different investigations, and by a complete report from M. Magliani, Minister of Finances (November 15, 1880). In appearance the operation was simple enough. The thing was to procure for the Italian Treasury the specie necessary to redeem successively the State notes. A loan in Italian Government securities, which were quoted at 88.90 at the end of October, 1880, sufficed to bring in the specie. But besides the mechanical part of the operation there were other more complicated and delicate questions. What portion of the circulation of the State should be redeemed? Ought the character of forced currency to be retained for the unredeemed State notes and the bank notes in circulation? If not maintained as forced currency, should they be at least legal tender? Would not the equilibrium of the budget be broken by the payment of the interest on the loan? Would it be easy to find a sufficient quantity of gold, and this quantity once obtained and put in circulation in place of the notes, could Italy keep it? With the balance of trade against her, a debtor abroad for part of her interest, would not Italy have to re-export the gold sent her? Already in possession of a depreciated silver money, would not this money drive out the gold, just as the paper money had driven out gold and silver? What system ought to be adopted for the bank circulation, what limits and guarantees should be imposed? All these questions were taken up in the discussions of the press, both of Italy and of foreign countries. There were two opinions at once. The minority condemned the operation itself as beyond the strength of Italy; others declared that the progress made by Italy promised success, whatever might be the difficulties. Though these difficulties have not all been vanquished, events have justified the optimists.

The Government made it a rule during the whole operation, the complexity of which it fully understood, to grapple with the difficulties only one after another as they came up. It relied upon the wisdom of public opinion and the resources of the country. The entire circulation amounted to about 1,665 millions. The Government thought that the redemption of 665 millions by the State would suffice; that the State might retain 340 millions of notes,

payable to bearer, as legal tender, but redeemable at sight, and that the circulation of the banks might be put at 660 millions without inconvenience. There was no exaggeration in these suppositions; they were based on the presumption that the Treasury might always have a metallic reserve of 100 millions and the banks of 200 millions.

The bill, proposed November 15, 1880, having become a law April 8, 1881, the Government at once set about realizing the loan that was to furnish the indispensable specie. There was about this loan one uncertainty, which was exaggerated before and afterwards, and that was the doubt of procuring easily for Italy 600 millions in gold. The difficulty did not lie there however. The bankers knew very well how to take 600 millions in gold from the gold stores of the globe; this was accomplished without disturbing international relations; each State furnished its quota: Italy, 82 millions; the United States, 72; Germany, 68; France, 65; England, 50; Austria, 37; Russia, 25. This fact is a powerful argument in favor of monometallism. All the calculations of the cambists were belied by the event. The difficulty came from the financial crisis of 1882. In July, 1881, Italy easily placed the first part of the loan at 88.25, with a commission of one per cent. to an Anglo-French-Italian syndicate. In February, 1882, the Italian securities fell for a time to 83.50, and the second part, offered to the public in the month of May, was only subscribed for to the amount of one-fifth. Two months later the Egyptian crisis occurred, and the Italian Government bonds fell back to 83.50. In spite of these troubles the syndicate has honorably kept its engagements.

Provided with the gold, the Italian Government, by a royal decree of March 5, 1883, fixed the twelfth of April for the cessation of the forced currency. This, however, must be understood aright. The decree says, that the notes of fifty centimes, one franc and two francs shall be redeemed in fractional silver money; that the notes of five francs and over shall be redeemed in gold and silver legal tender, in fifteen cities designated, to the amount at first of 105,400,180 francs, and then from the resources of the Treasury; that all the notes of five and ten francs shall be redeemed within five years; that the notes left in circulation shall represent 340 millions—240 millions in ten-franc notes and 100 millions in five-franc notes, and shall be convertible into metallic money in the cities authorized; that a special office shall be intrusted with the issue of the State notes in circulation. Limiting the cities where the notes might be redeemed was a precautionary but needless measure.

The bank circulation has not yet been regulated by law, but the Government has proposed a bill whose chief provisions are known: the banks may increase their circulation in proportion as the State

diminishes its own; but this circulation is provisionally fixed at a milliard, with the condition that the paid up capital of the banks must represent one-third of the circulation. This figure may be exceeded in proportion to the metallic reserves of the banks, of which two-thirds must always be in gold; the privilege of the present banks, without prejudice to new banks, is to be extended for thirty years from 1889; the banks may give up their privilege; all their notes are to be interchangeable; but the Treasury is obliged to take the notes of each in the province only where the bank is established. Until this bill becomes a law, the legal currency of the notes of the bank of issue has been extended to December 31, 1884.

#### RESULTS OF THE ABOLITION OF THE FORCED CURRENCY.

As soon as the abolition was voted, Italian exchange improved; as the loan was given out, exchange weakened, and the depreciation fell to three per cent. before the appearance of the decree of March 5, 1883. It has not increased since, but has not disappeared; it oscillates between one and one and a-half per cent., according to circumstances, the slight premium on gold in all the markets, with a double monetary standard and the monthly statements of the Treasury or banks. As the greater part of the State notes has remained in the circulation, and as the whole will only be redeemed within five years, it is quite natural that there should still be a certain depreciation. This depreciation will persist as long as the condition of the banks is not entirely regulated, since to them is finally to be confided the management of the circulation of Italy, and as long as Italy's monetary situation is not clearly established for a sufficiently long period.

The different provisions of the bill relating to the banks apparently respond to present necessities: no monopoly—unity of circulation by the exchange of notes—no general responsibility for other operations than the circulation—the actual circulation backed by capital paid up in the proportion of three to one—and by a metallic reserve of at least two-fifths; two-thirds of the metallic reserve in gold—the maximum circulation fixed by law for each bank, thus: the National bank 600 millions, the Bank of Tuscany 90 millions, other banks 310 millions; without doubt, improvements might be desired; the guarantees of the banks of issue in England, the United States, and Germany, are more complete; one stipulation might be the formal guarantee of the circulation by the stock-holders above the paid-up amount of their shares. At the end of October, 1883, the circulation and deposits of the Italian banks of issue made a total of 987,728 millions, covered up to 635,390 by the metallic reserve and securities; the bills and advances may be considered as a sufficient guarantee of the rest.

According to the statement of the Bank of France, on the twenty-

seventh of December last, it had a circulation of 2,946 millions; it owed on accounts current 605 millions, a total of 3,551 millions; its metal reserve amounted to 1,963 millions, *rentes* and reserves 224 millions, total 2,187 millions; there was consequently a sum of 1,364 millions, which was only secured by bills and advances: bills, 1,081 millions; advances on bullion, 227 millions; to the State, 248 millions.

If the two statements be compared, it will be immediately recognized that the circulation of the banks of Italy is quite as well secured as that of the Bank of France, and possibly better, because it is not so excessive.

Is it not easy to know fully what the monetary situation of Italy is after so long a reign of paper money, the effect of paper money being to disorganize completely the monetary circulation. The metal stock of Italy is estimated in a general way at 800 millions of gold and 400 millions of silver. It is thought that with a fiduciary circulation of 1,200 millions, the general needs of the circulation might be satisfied well enough for some years at least, considering the fine organization of the offices of compensation, the savings banks, popular banks, and different credit establishments which may help in business operations, as has been done in England. It is certain that a total circulation of 2,400 millions seems insufficient for a State, whose economic activity is developing as rapidly as that of Italy. Consequently, Italy, belonging to the Latin Union, has been supposed to intend asking for the continuance of the Union, and for an increase of the quantity of silver authorized to be coined. Although silver is not rising in price, and its metallic value is now more compromised than ever, in consequence of the production of the gold mines and the probability of new discoveries, Italy's demand will probably be acceded to, but she will have only a moderate resource in this direction; it seems as if she would do better to authorize the great banks of issue to increase their circulation, securing it by an increase of capital invested in Government bonds, as in the United States, and by the obligation of guarantee imposed upon the stockholders. The idea of having bank circulation guaranteed by the stockholders, who profit by the circulation, is sure to make its way; on the other hand, the stockholders of the Bank of France are unique in the world, for, without risking anything but the one thousand francs once paid for a share now worth five times as much, they receive the profits on an excessive circulation, and this situation is sure to be done away with. The stockholder ought certainly to guarantee to the public the value of the instrument that brings him in so much profit.

The Italian public has seconded the views of the Government. The demands for redemption were not very numerous. As every

preparation had been made to meet them, the public showed no undue haste. In the first few days the only serious demands were made in Sicily. From the fifteenth of April about 200 millions in specie were withdrawn from the coffers of the Treasury, of which a part was in fractional silver currency. This money has become abundant, which is a real advantage, because the fifty-centime note is as insupportable as the twenty-franc note is convenient. A part of these 200 millions has passed into the metal reserves of the banks. In any case the Treasury is able to meet all demands. There was some fear of a great exportation of gold up to the thirty-first of July last; specie amounting to 73,280,000 including 27,700,000 francs of gold, had been imported into Italy, while only 9,356,000 francs, including 4,100,000 of gold, had been exported, the movement having been just contrary to the predictions.

In this whole operation the essential part of the question has always been neglected; the mechanism only has been considered. The essential part is the considerable improvement of Italy's economic situation, her business development, immense emigration, the progress of her credit institutions, the more extended knowledge and intelligent practice of the most scientific methods. The rest is merely accessory, and will come of itself. While the Italian Government was undertaking this great operation of the abolition of the forced currency, or rather the suppression of paper money, it was accomplishing another great reform, the suppression of the tax upon the grinding of grain. These are effective reforms, acts that do honor to governments. In the budget of 1883 the suppression of the grain tax made a hole of forty-seven millions, which has been filled up, and the budget of 1884 was prepared to show a surplus of seven millions. During the first eleven months of the year 1883 the personal tax produced 145 millions, instead of 136; the customs, 390 millions, instead of 365; on the thirtieth of September last the imports showed an increase of 106,790,000 francs, and the exports an increase of 76,878,000 over 1882.

Notwithstanding these results, which were partly accomplished in July last but have been manifested more plainly since, M. Luzzatti did not hesitate, in a communication made to the *Société de Statistique*, of Paris, at the end of July, to ask whether they would be durable, whether the victory over paper money and depreciation in Italy was final. He remarked that Austria and Russia, much nearer Italy than France, were burdened with paper money, and thus far these two States did not seem disposed to give it up; that the depreciation of silver was another cause of uneasiness, and that for the States under strict financial control, a circulation based upon silver alone was little more valuable than paper money closely looked after; he thought one of Italy's desiderata was that Austria should decide to renounce the paper money that really costs so

dear; but he did not venture to affirm that the gold stock of Europe and America, and the production of gold, made it possible to guarantee to Austria the success of an operation similar to Italy's, or to Italy the complete success of her operation.

These considerations, which are not without foundation, show how difficult it is to be rid of paper money when it has become a habit and when engagements are to be kept. The operation undertaken by Italy has not been brought to a successful termination as yet, but there is no danger in saying that it will succeed, if the country is wise enough to avoid war and to issue no more bonds. There is a sort of fraternal relation between bonds and paper money, but bonds, whose interest is paid, fill the gaps that paper money only covers with depreciation. Hence the American idea of paper money bearing interest; for the great American Republic tried almost all possible experiments during the war of secession, and the best thing it did, thanks to a boundless and fertile territory, to an industrious people and an extraordinary immigration, was to give an example of respect for international engagements. Its credit is built upon a rock, and it possesses the most complete system of banks that has ever yet existed.

Italy is on the same road, she is following in the same tracks; she is paying off her debts, and developing to an extraordinary extent all forms of saving and credit. She is creating two instruments of power for the future. If to these instruments be added the force of the expansion of her population, and the practice, in economical and financial matters, of the most progressive scientific methods, it cannot be doubted that Italy will become in international markets, a formidable competitor to nations, that with more natural resources shall have shown less prudence, or have more slowly taken up arms for economic strife, henceforth as serious as any other warfare.

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**THE FORESTS OF EUROPE.**—There are about 34,000,000 acres of forest in Germany (of which 20,000,000 are in Prussia), bringing in an income of \$50,000,000 per annum. The State forests are taken great care of in all parts of Germany, in Prussia alone \$500,000 being spent every year in replanting. The imports of timber exceed the exports by over two million tons. Austria and Hungary have upward of 43,000,000 acres of forest, but in Austria proper the State does not possess more than seven per cent. of the wooded area, and Austria is now obliged to buy most of her timber in Bosnia and Montenegro. Servia and Roumania have some very fine forests, but Italy, though her forest area extends over nearly 14,000,000 acres, does not do much in the way of timber trade, as the roads leading to the forests are so bad that it is almost impossible to move the timber when it is cut. Much the same is the case with Spain, which has 8,500,000 acres in forest; while Portugal, which has only a million, finds a profitable market for her timber.

## PRACTICAL BANKING.\*

## DISCOUNTING.

A common way of lending is on collateral security, that is, on bonds, stocks, warehouse receipts and other evidences of property. Within a few years the banks in the large cities have increased their loans of this nature enormously. They have done so partly because the purchase of paper from note-brokers has proved so hazardous. Within two years mercantile failures have occurred, from which some banks lost heavily in consequence of having large amounts of bought paper. One failure was that of a leather house, whose principal office was in Boston. The banks did not suppose before the failure that the house was floating such an enormous amount of paper. By making their notes, and giving them to note-brokers to sell, it was exceedingly difficult for others to form any judgment of the amount made and negotiated. After that failure, many banks concluded that if loans were made on collateral security their risk would be diminished. They believed that they were quite capable of judging accurately of the value of collaterals offered as security. Many of these loans are made on call, that is, the bank can demand payment immediately, or after one day's notice. Loans on railroad securities as collaterals are regarded with favor by some of the most conservative banks.

The New York Stock Exchange will not list any kind of stocks or bonds unless the instruments or evidences of them are engraved on steel plates. All railroad stocks are required to be issued at a transfer agency and registered at some well-known bank or trust company. This is to prevent a fraudulent over-issue of certificates. The principal New York City banks have the stock exchange telegraph quotations in their banking rooms, and therefore are promptly informed concerning the current fluctuations of the market. On such securities, loans are made usually at the market value, less ten or fifteen per cent. of the par value. The fluctuations in these stocks thus pledged are carefully watched by a person in the bank, especially appointed for that purpose. It is his duty to demand either more security, or the payment of a part of a loan, in the event of a decline in the value of the security pledged therefor.

In some States, for example, Massachusetts, the law requires that for a collateral to be good security when delivered to the bank, stock must be actually transferred on the books of the company which first issued the same.

\* This article consists of continued extracts from a work, now in press, on *Practical Banking* by the editor of this Magazine. Copyright.



Another form of loan is that made on the security of business paper. Thus, a merchant having a number of small notes of his country customers, brings to the bank \$15,000 or \$20,000 of such paper, and asks, on the pledge of it, for a loan of \$10,000, giving his own note at thirty, sixty or ninety days. This custom is more common in Western cities than in New York. It is among the safest of business transactions, if ordinary care and discrimination are observed, for if the principal should fail, his estate will pay something, and the division of the remainder among several parties, with a considerable surplus beyond the amount, leaves the risk of loss very small.

Such are the several ways of loaning the resources of a bank. It may be added, however, that fewer losses occur in loaning to regular dealers than in buying paper. Banks, of course, know more about them than about others not keeping accounts with them, and whose names may be unknown until the note-broker's list is received.

If a single director objects to a note offered for discount or purchase, the board generally will refuse to make the loan. If an objection should be based simply on prejudice, the board probably would not respect it. But if a director should say, "I have a pretty good reason for not buying that paper," his opinion would be conclusive. Directors are chosen partly for the information which it is supposed they will throw on the condition of business, and especially on that in which they are engaged. It is supposed that a director knows more about the condition of persons engaged in the same business as himself, than the other directors, whose occupations are different. This is why their opinions have so much weight. Nevertheless, bank directors are not always disinterested in the performance of their trust. Not long since we heard the following story. A bank director, who was also a member of the Produce Exchange in a large city, attended a meeting of the directors of the bank. Several persons, who also were members of the Produce Exchange, had presented notes for discount, accompanied with collateral securities, principally warehouse receipts for grain. When these offerings were read, one after the other, the director in question objected, maintaining that they were not as safe as they ought to be. When the entire list of offerings had been exhausted, a large balance remained unemployed. The director just mentioned said if no better use could be made of it, he would take it though at a rate which was not very remunerative. His offer was accepted. Immediately he went to the persons who had applied for loans to his bank and loaned to them on the securities which they had offered. Of course he was not the typical bank director.

Generally, directors are men of well-known integrity, and though too often neglectful in attending meetings, they freely give their best experience to the bank when they do attend.

Some directors attend meetings with regularity, and take a deep interest in the affairs of their bank. They seek to enlarge its sphere and to increase its gains. There are other directors whose presence is a surprise. A third class appear irregularly, and sometimes are troublesome in their endeavor to learn concerning all the business done at the meetings when they were not present. They are usually retained in spite of their ways for one reason or another. If they attended regularly, most of their questions would be unnecessary. Time would be saved, and the temper of their associates would not be tried. In a large board of twelve or fifteen directors it is hardly possible to have unanimity on all occasions, and yet each director may fill his valuable niche in the institution. Each one, whether pleasant or disagreeable, whether regular in his attendance or otherwise, may through his wealth, or business relations, or knowledge, serve a useful purpose. At all events, they are usually selected with care, and changes do not frequently occur.

It has been said by a banker whose experience is worth heeding that it is one of the duties of the president to protect a dealer when he is unjustly assailed. To do this is also for the advantage of the bank. Beside the general results of the fair treatment of credit, there is this particular result, that the best class of customers which a bank can have consists of those whom it has nurtured from moderate to larger success, and whose experience has been all along linked in agreeable intercourse with its officers and directors. These are not easily seduced to open accounts with other banks; but they are faithful to their old friends and they introduce other dealers.

The New York City banks do not discount paper that runs for a longer period than four months. This is the general rule. It is not always observed; but a man's credit would be unusually good, or ample collateral security would be required, were a loan granted for a longer period. Some banks will take only first-class double name paper, that is, paper having the name of an endorser beside the maker, and would prefer to buy such paper, at four and a-half or five per cent., to buying other paper just as good, perhaps, and bearing six per cent. interest. In any event, a risk is taken, and with the utmost precaution in making loans losses are not wholly avoided.

One of the functions of a good bank manager is to ascertain, in every possible way, the financial condition of his customers. Every well-conducted bank has a book in which everything of importance pertaining to the credit, ability and character of their customers is noted. Papers are diligently read and reports scanned, inquiries are made of persons who are supposed to know about others; all kinds of business are investigated with care; occasionally a considerable sum is paid to an individual for making a special investiga-

tion into the affairs of a customer. Very often these investigations and inquiries must be made with great tact and secrecy. If a customer were to find out that he were under a telescopic investigation, he might be offended, withdraw his account, and vengefully exert himself to injure the bank. On the other hand, no faithful bank manager should be negligent of his duties in this regard. No opportunity for inquiry should be neglected. The most successful bank managers are those who are most diligent in conducting these investigations, and in watching all these complicated movements of trade.

Every bank should know as much as possible concerning each of its dealers, and the information obtained should be carefully recorded and preserved. In a large business it would be impossible for any officer to remember the different terms and agreements and understandings had with its various dealers from time to time, and therefore it is the practice of a systematic officer to write or dictate to his stenographer, immediately after an important interview with a dealer, the substance of what has been said. Some banks have found that the most advantageous way is to have a very large scrap-book prepared, in which all records of conversations, statements of condition, agency reports, etc., etc., are pasted. The book should be made with numbered leaves, and with short stubs to which papers can be pasted, and with still shorter stub leaves to fill up the book, so that when it is full the back will not be broken. A voweled index separately bound should accompany such a scrap-book. Between each numbered leaf there should be room for, say, three of the shorter stub leaves on which papers could be pasted. These shorter leaves would be numbered 1, 2, 3, and the entry in the index would therefore be, say, as follows: John Smith & Co., Book No. 1, page (say) 113, which would mean that on section 2 of page 185, in scrap-book No. 1, there could be found a record of all that was known concerning John Smith & Co. A succeeding administration would therefore be able to know just about as much concerning John Smith & Co. as the officer who directed the entry. Of course, such systems as the foregoing require systematic and regular attention, which usually cannot be given by either the cashier or president, and therefore a clerk must be employed for the purpose. In some large banks a young man is employed as a "credit clerk," whose almost exclusive duty is to go about in the various trades for the special information required, and record what is learned in the above-described bought paper books and dealers' scrap book.

Most large merchants outside New York City now make their notes payable there, and have regular accounts with the banks in that city. This is one reason why the banking resources of New York are so rapidly expanding. Another is because the city banks have unusual facilities for lending money.

Bank managers, as well as bank directors, are often importuned to make loans through friendship and other than strictly business reasons. For many years the title page of the *BANKER'S MAGAZINE* has borne the following words, uttered by a successful and eminent banker of Boston, Nathan Appleton: "No expectation of forbearance or indulgence should be encouraged; favor and benevolence are not the attributes of good banking; strict justice and a rigid performance of contracts are its proper foundations." Notwithstanding these plain teachings, many a bank officer, through sympathy and regard for friends and customers, has granted loans which were not warranted either by their condition or by that of the bank at the time of granting them. There are many occasions when a bank manager cannot easily determine what course is the most expedient. A considerate regard for the wants of a customer, his ample security for the loan, the condition of the bank and of trade—these are circumstances which not infrequently render a decision difficult. Of course no extra lights can be provided for these extraordinary occasions. Human experience will not avail much at such times. If the bank manager does not comprehend the situation, so much the worse for him and for all concerned; any lesson he might be likely to learn would come too late to be of any use to him.

Notwithstanding the length of this chapter, we cannot forbear adding the excellent "Suggestions to Managers of Banks," prepared by Mr. Hugh McCulloch, when Comptroller of the Currency, on this very important subject of discounts.

"Let no loans be made that are not secured beyond a reasonable contingency. Do nothing to foster and encourage speculation. Give facilities only to legitimate and prudent transactions. Make your discounts on as short time as the business of your customers will permit, and insist upon the payment of all paper at maturity, no matter whether you need the money or not. Never renew a note or bill merely because you may not know where to place the money with equal advantage if the paper is paid. In no other way can you properly control your discount line, or make it at all times reliable.

"Distribute your loans rather than concentrate them in a few hands. Large loans to a single individual or firm, although some times proper and necessary, are generally injudicious and frequently unsafe. Large borrowers are apt to control the bank, and when this is the relation between a bank and its customers, it is not difficult to decide which in the end will suffer. Every dollar that a bank loans above its capital and surplus, it owes for, and its managers are therefore under the strongest obligations to its creditors, as well as to its stockholders, to keep its discounts constantly under its control.

"Treat your customers liberally, bearing in mind the fact that a bank prospers as its customers prosper, but never permit them to dictate your policy.

"If you doubt the propriety of discounting an offering, give the bank the benefit of the doubt and decline it; never make a discount if you doubt the propriety of doing it. If you have reason to distrust the integrity of a customer, close his account. Never deal with a rascal under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.

"In business, know no man's politics. Manage your bank as a business institution, and let no political partiality or prejudice influence your judgment or action in the conduct of its affairs. The National currency system is intended for a nation, not for a party; as far as in you lies, keep it aloof from all partisan influences."

#### THE CASHIER.

We have already said that every bank had a leading business official who was either the president, vice-president or cashier. The presidents of the country banks very generally perform only a few duties besides those required by law which cannot be delegated. Here and there may be found a president who is the real head of the concern. In the larger cities the president, in most cases, is the real manager, who is elected to act in that capacity, and on whom the responsibility and success of the bank depend.

The cashier, unless there be a vice-president, ranks next to the president, and has certain specified duties to perform. These are mentioned in the law under which the bank exists. But from what has been already said, he may also be the real head of the bank in conducting its business, and this is often the case, especially in country banks, which form by far the majority of the whole number.

His specific duties may be thus defined. He keeps a record of the meetings of the directors, at which he acts as secretary. The certificates of stock issued to shareholders are signed by him as well as the president, and so are the bank notes which circulate as money. Checks also drawn on other banks are signed by him, unless absent, when they are signed by the president. Drafts and notes sent away to other banks are endorsed by him. These endorsements are stamped, and the following form is almost everywhere used:

"Pay to....., or order,  
for account of Arctic National Bank.

JOHN SMITH, *Cashier.*"

The correspondence of the bank is conducted in the name of the cashier, and when his signature is alone required that of the president may be substituted, but the alternate substitution cannot be

made. Formerly a cashier could hold no stock in his bank, and it was regarded an improper thing for him to keep his personal account in it. The pecuniary relations of the president, also, toward his bank were the same. This is no longer the case. The cashier is usually a stockholder, and often a director. Under the National banking system, whereby personal liability to the amount of the stock is borne by everyone, if the cashier owns stock he is supposed to be more interested in the success of the bank than if he had no pecuniary interest.

The cashier is appointed by the directors, and may serve for any length of time fixed by them. He gives a bond for ten thousand dollars, usually, for the faithful performance of the duties of his office, and which is signed by two sureties. Each clerk also gives a similar bond, and usually for the same amount. These bonds do not cover losses occasioned by misjudgment or neglect, but only fraudulent transactions. The requirement would be unreasonable to hold these officials liable for losses of every kind.

The bondsmen are men of character and wealth. Their names are submitted to the board of directors, or to a committee appointed for the purpose of making whatever investigation may be needful of the bondsmen offered. If they do not approve of those offered, others must be procured. In the event of a loss, which the bondsmen must pay, it is divided among them equally.

When an official has been promoted he must give another bond, as the existing one does not protect the bank in the event of a fraudulent loss occasioned by him after his promotion. Recently, several cases have come to light of negligence on the part of directors in not procuring new bonds after making promotions. Frauds were discovered, the bondsmen were sued, but the courts decided that the bonds given simply related to the conduct of the principals when holding the offices named in the instruments.

Although the cashier is appointed by the board of directors, and is amenable to them and within their power of removal, he is also the representative of the stockholders. If, therefore, the president or directors should attempt to use the funds of the bank in an illegal manner, it would be the duty of the cashier to prevent them from doing so if possible. His salary, and also that of the president, is varied by the duties and responsibilities assumed. In the larger banks the president, when he is the real manager, gets from five to fifteen thousand dollars a year, and the cashier from five to ten thousand dollars. The country banks pay, perhaps, half these figures. These, however, are only crude approximations of the remuneration received.

As the cashier is the ostensible executive officer of a bank, he is presumed to have, in the absence of positive restrictions, all the power necessary to transact its business. Thus, in the absence of re-

strictions, if he should procure a *bona-fide* rediscount of any paper of the bank, his endorsement would bind it, because he has the implied power to transact such business. But he could not, by virtue of his official relation to his bank, bind it as an accommodation endorser of his own promissory note. Such a transaction would not be within the scope of his general powers, and if a person should accept an endorsement of that nature he could not recover of the bank, in case the note was not paid, without proving that it specially authorized the cashier to make the endorsement. There is no presumption in favor of the delegation of such a power.\*

One of the first duties on reaching the bank in the morning is to attend to the correspondence. In some of the New York City banks this is very extensive. Formerly the letters were opened by the cashier, but now they are given to clerks appointed for that purpose. The letters containing cash items are retained by the tellers. Those which must be answered by the cashier himself are termed "special letters," and are laid on his desk in the early part of the morning. These may be applications for discounts, proposals from new customers, orders for the purchase or sale of stocks and bonds, letters asking for advice concerning the standing of persons, opinions concerning the worth of certain bonds or stocks, or complaints concerning the conduct of the business of the bank. The answers are copied in a book kept for that purpose.

The number of letters daily received by a bank having a large correspondence may be from two hundred to two thousand. Most of them are formal, containing a statement of enclosures, and can be easily answered. Printed letters are used in most cases both in sending such enclosures, and in acknowledging their receipt. Mere acknowledgments are not usually copied.

All the checks received in the morning letters which can be sent to the Clearing-house are put in the package which is to be sent there, as will be explained hereafter. The amount thus received daily in some cases is very large, running into the millions.

A cashier of one of the best-conducted banks in New York City has thus described the usual daily routine of his business. After examining a dozen papers to which the bank subscribes, he looks around to see that all the clerks are on hand and are preparing the exchanges for the Clearing-house. By a few glances he can tell whether the work is progressing satisfactorily. If a vacant place is seen, then it is presumed that a clerk is absent, and somebody must be found to supply his place. In the morning, almost all the clerks, except the bookkeepers and the heads of the departments, are engaged in preparing the exchanges. In that bank the

\* See the opinion of Ch. J. Waite in *Savings Bank v. Parmlee*, U. S. Supreme Court, 1877.

letters are so numerous that a large force is necessary in order to get the exchanges ready in time, and a vacancy must be speedily filled if possible. Sometimes he is obliged to assist himself. If a clerk does not appear within ten minutes past nine he is regarded late. When late, a clerk is fined.

The special letters are brought to the cashier, and those requiring immediate attention are answered at once; others at a more convenient time. Then letters containing remittances are brought in from the bookkeepers. Those requiring special attention are laid on one side, and the instructions they contain are entered in a special letter book for the use of the corresponding clerk. For example, if an advice concerning a payment is requested, it is the duty of the corresponding clerk to make the necessary advice. The last duty which the latter performs in the day is to examine his special letter book, for the purpose of assuring himself that all letters requiring special attention on his part have been answered.

When the directors meet, as we have seen, the cashier meets with them. Besides, he examines loans secured by collateral, to reassure himself of the sufficiency of the security, or perhaps with a view of calling the loan, if the collateral that is securing payment be of a kind which the bank does not wish to hold longer. He also examines the balance books. Such are the leading features of his daily business, interspersed with frequent calls and interruptions. The afternoon hours are not so pressing, and the duties are more varied.

When the money market is "easy," the duties of a cashier are very agreeable. The departments of the bank move along harmoniously. The dealers call and transact their business, and go away in good humor. If they want to get notes discounted this is done promptly. Very often social topics are pleasantly blended with their negotiations. But when the market shows signs of tightening, then these pleasant daily scenes are quickly changed. The amount of paper offered for discount is suddenly doubled, and the amount discounted is reduced one-half. Merchants are not satisfied with their usual preparations for future payments. They are determined to get more ready money, if possible, and eagerly demand more loans. These are the times that test the ability of the bank manager, and which prove his fitness or unfitness for his position.

One of the duties of a cashier is to increase in every proper way the business of the bank. The banking business in this respect does not differ from any other. The profits in the business in most banks are made on the deposits. To increase these, therefore, is the ambition of all concerned in the enterprise, and especially of those who are the most active and responsible in its management. New accounts are eagerly sought. While, however, this is true, no well-conducted bank will blindly open an account



with any person. He must be properly identified and introduced, and his character must be ascertained. Some banks will not take the accounts of persons introduced by a clerk of their own, for the reason that it is possible for him to be a confederate in some plan with the introducer to defraud the bank. The clerk might be enabled to give him a fictitious credit or in some way assist him in defrauding the institution. If, therefore, a clerk should introduce a customer, an additional introduction would also be required. If he were a merchant, the introduction of another merchant would be needful. If the applicant were not engaged in business, he might present such facts as would satisfy the cashier concerning his worthiness without further investigation. If the cashier should decide to open an account with him, he would be required to sign his name in a book kept for that purpose. All that the applicant has said concerning himself, and whatever can be found out about him afterward, is recorded in a book which has been already described.

It is not possible for the cashier to supervise the books of a bank personally, but he should look at them frequently enough to satisfy himself of their correctness. Clerks sometimes get careless and negligent, and may carry over their work from day to day, or portions of it, if they are not watched. A supervision of this kind is needed in order to maintain the best discipline. Without it, clerks too often become careless and inattentive and delay their work in various ways. A cashier should have an intimate knowledge of the theory of accounting maintained by his bank, so that when he examines any book he will be able at once to understand it. We do not suppose that every bank has such a cashier, but unquestionably it should have. Bank-booking is generally quite simple, and no very high order of ability is required to master it. Banks differ from one another in many details of doing business, but in no case are these difficult to comprehend.

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## SEIGNEURIAGE AND MINT CHARGES.

The following article, read before the London Institute of Bankers by John Biddulph Martin, and published in their journal, contains several very interesting facts of a historical nature pertaining to this subject. It possesses considerable importance, and is worth laying before our readers :

The order of sequence of the papers relating to currency which I have had the honor of laying before this Institute has been fortuitous rather than designed. Had the trilogy completed by the present essay been deliberately planned it would, perhaps, have been more scientifically formal to consider—first, the conditions under which a metallic currency is issued; next, the conditions under which it circulates; and last, the paper currency by which it is supplemented. But, as in geographical discovery the exploration of great rivers has, in the majority of instances, been from the sea to their source, so it may be claimed as not altogether unreasonable to have discussed, first, "Bank Notes," next, "Our Gold Coinage," and now, in the last place, to consider the rights and responsibilities of the State towards its component members in the matter of converting into coin the bullion that forms throughout the world a recognized medium of exchange. So far as regards dealings in bullion, extremes may be said to meet; travelers in some remote parts of the East have related that they have been compelled to pay their way by a certain quantity of silver, chopped, rather at hap-hazard, off a bar of that metal; on the Gold Coast there is a currency in gold dust, and during the early days of the gold fever in Australia and California, the precious metal was not unfrequently bartered for commodities more immediately useful. On the other hand, we in the city are always engaged in endeavoring to forecast the future movements of bullion as the ultimate adjuster of the commercial dealings between our country and foreign nations. But between these two extremes lie the vast number of transactions that are, or seem to be, settled in what we call money—which find their expression in pounds, shillings and pence, and which are, or are supposed to be, liquidated in coin of the realm.

The right of coining money is claimed as a monopoly of the State; and though it is a proposition logically tenable that free trade should extend to the precious metals no less than to any other commodity, and that *caveat emptor* should apply to the man who takes gold in payment no less than to the man who takes goods in exchange for it, no serious attempt has been made to place the right of coinage outside the limits of State interference. The right, then, of coinage vesting in the State, it is essential that the position of the State towards the possessor of bullion should be clearly and accurately defined; and it is no less important that the public should have precise and unequivocal knowledge of the quality and quantity of the coin into which that bullion is converted before it goes out into circulation.

It need hardly be said that the kind of metal that any nation may adopt as its medium of exchange is not fixed by any natural law. In our own case silver was long the metal which had the preference, and the purity of the silver coin of the realm was the subject of attack, more or less insidious, by Plantagenet, Tudor, and Stuart in turn. Edward III was virtually the first English monarch to strike a gold piece,<sup>†</sup> and it was not until long after his time that the more precious metal achieved a decisive supremacy. It is curious to note how emphatically on the side of silver were the highest authorities, even so late as the end of the seventeenth century. Sir William Petty declared that "there can be but one of the two metals of gold and silver to be a fit matter for money. Wherefore, if silver be that one metal fit for money, then gold is but a commodity very like money. And, as things now stand, silver only is the matter of money."

Locke and Lowndes were of the same way of thinking. The former, writing in 1695, says:

"Gold is not the money of the world or measure of commerce nor fit to be so; yet it may and ought to be coined to ascertain the weight and fineness."

But Sir Isaac Newton, in 1717, endeavored to make a double standard, by readjusting the ratio at which gold and silver should be exchangeable. In 1774 silver was made legal tender by tale for sums of £25 and under only; in 1783 the double standard was again restored. In 1798 the system of 1774 was reinstated; and ultimately, in 1817, gold became finally the standard medium of exchange. The changes in the fineness of the metal employed have been even more numerous, and it would be tedious to enumerate the successive degradations to which our silver was for centuries subjected; our gold coin itself has not been exempt from a certain debasement, and in 1718 a pound troy of standard gold was coined into £46 14s. 6d., instead of £44 10s., the rate at which it had previously been minted. Enough has been said to show that there is no ideal perfection in the weight or fineness at which we in England have apparently settled down without going farther afield to cite the differences that exist in the conditions under which the work of foreign mints is turned out.

Yet, though there may be no natural law, no ideal ratio of convertibility between bullion and coin, it is obvious that this ratio must lie between narrow limits of practical expediency; it is equally evident that the scale, when once adopted, should not lightly be subjected to alterations, either surreptitious or open, at the arbitrary caprice of the Crown or the executive power. The confusion that must inevitably follow will, of necessity, be most prejudicial to the commerce of the country, and it will only be remedied by the operation of the well-known Gresham's Law, that the worse coinage will drive out the better, and the prices of all commodities, as measured in coin, will have to be adjusted to the lower standard.

It has been remarked above that we have apparently settled down to our present standard, viz., a coin of gold eleven-twelfths fine (.916), and weighing 123.274 grains troy. It does not indeed seem probable that we shall see any alteration of these well-known and now time-honored figures; yet, at a time when the condition of our gold coinage is a matter of serious consideration among bankers, and when various remedies are being suggested for its restoration to a more satisfactory state, it is worth while to remember that

\* *Political Anatomy*, p. 347, Dublin edition.

† See Memorandum by Mr. Hilton Price, p. 205.

only a few years ago a proposal to alter the Mint regulations excited a most animated controversy. On the 6th August, 1869, the Chancellor of the Exchequer, (Mr. Robert Lowe, now Lord Sherbrooke) set a holiday-task to the House of Commons. His thesis may be broadly stated thus: "The price of an article is the price of the raw material, plus the price of the labor bestowed on it, and plus a reasonable profit; the Mint, hitherto, has given its labor gratis to the importers of bullion, and has made no charge for profit; let us henceforth take, say, one per cent. to cover these two items, taking toll to that amount of each coin, and the new coin of 122½ grains will have as much purchasing price as the old one of 123½ grains weight." This theme for a holiday-task did not fail for want of expounders thereof, and during the remainder of the year a very pretty quarrel raged in the public press and elsewhere on this question of "Seignorage." Not only members of Parliament, but professors, bullion-dealers, and practical experts in the matter of foreign exchanges, bank directors and anonymous writers descended into the lists and dealt their blows sturdily in all directions, until, as is not, unusually the case, the battle became a well-nigh inextricable *mêlée*, and the main issue was almost obscured from the gaze of all indifferent spectators in the dust and clamor of the fray. It is remarkable that not matters of opinion, but of absolute fact, were hotly disputed; whether there was or was not at Brussels a smelting-house in which our heaviest coins were melted down; whether it did or did not pay to pick out such heavy coins and export them; whether our coins were or were not of a sufficient degree of fineness were no less matters of debate than the most abstruse theoretical problems. The dispute was further complicated by the introduction of the question of an international coinage, and even bimetallism and the double standard found a place in the controversy. The strife came to an end in time, apparently through exhaustion of the combatants, leaving the world in much doubt as to how the issue had gone, but at any rate with ample materials from which to extract each his own answer as best he might, to the questions which we have briefly to consider this evening, viz.:

1. What is meant by Seignuriage, or a Mint-charge?
2. By whom should it be paid?
3. To what extent can it, or is it, expedient that it should be levied?

I. *What is meant by Seignuriage, or a Mint-charge.*—After what has been said above it will surprise no one that even the terms of the subject matter in dispute are not clearly defined or their etymology settled. As is often the case we have no English word to express our precise meaning, and the word in most common use is misleading. Enjoying, as we do, or are supposed to do (for this even is a matter of argument), the advantages of a free Mint, we are driven to a foreign language for a word significative of a charge or a State profit on the operation of coining, and have no word of our own but "Mint-charge" to express either or both of these. The French language is more versatile, and gives us "*brassage*," meaning strictly the stirring in the furnace of the molten metals, and next the allowance made to the individual by whom the operations of coining were farmed. "Seignuriage," on the other hand, indicates the feudal right of the "seigneur" to levy toll on the precious metal, as he might claim a handful from every sack of flour or of any other commodity that came into a market under

his protection. "Seignorage," "seigniorage," "signorage," "seigneurage," are also found in use, but the two first of these are mongrel words, neither French nor Italian; and with regard to the two last, Littré (*sub voce*) distinctly states that they signify the quality or the authority of the seigneur. We may take it, then, that for our present purpose "brassage," or "mint-charge"—for the French word has not succeeded in acclimatizing itself among us—may be taken to mean the equivalent of the cost of coining; "seigneurage" the charge made to cover profit also.

II. *By whom should the Mint-charge be paid?*—Before answering this question off-hand, we must determine for whose benefit money is minted, and for whose benefit it remains in circulation; and, first of all, what is the medium in which we are bound to discharge a contract. If A draws on B for £100 and B accepts the bill, what does A agree to take and what does B promise to pay? Sir Robert Peel, in introducing the Bank Charter Act of 1844, said:

"According to the ancient monetary policy of this country, that which is implied by the word 'pound' is a certain definite quantity of gold, with a mark upon it to determine its weight and fineness; and the engagement to pay a pound means nothing, and can mean nothing else than the promise to pay to the holder, when he demands it, that definite quantity of gold."

But Lord Overstone, writing in the *Times* (Sept. 20th, 1869), says: "By the letter of the law, and by usage, the debtor has hitherto been bound to discharge his debt in coin. Is it then consistent with justice and good faith to turn around upon the creditor and declare that his claim shall be sufficiently discharged by the tender to him of the raw material (bullion), instead of the manufactured article (coin)?"

The artificial nature of the majority of cash transactions, and the perfection to which our banking system has been brought, renders the question as to whose answer these high authorities apparently disagree, *toto calo*, an unfamiliar one. We discharge our obligations by a book-entry, a check, a bank note, in ninety-nine times out of a hundred; when we do pay in gold we use the coin as a token, careless of its exact weight or fineness, so long as we are satisfied that it has been issued from the Mint. We know that what we receive as a pound we can pay away again as a pound, and this seems to be the gist of the whole matter; we expect to receive, and are bound to pay that which has a certain amount of purchasing power at the time *when the contract is made*. This power may vary before the contract comes to be discharged; we may sell a hundred sovereigns for a hundred hats or sacks of flour to be delivered three months hence, and when the time comes the interchangeability of the commodities may have experienced alterations; but our contract is to deliver so much gold, and the mint mark is merely the brand that ensures the quality of the article. The system of "grading" is well known in other articles, such as iron, cotton, petroleum, &c., and the facilities which this system renders to commerce are well known. It is the interest, not only of cotton brokers, but of every one who wears a shirt, that the trade in cotton should be free from hindrance; it is the interest not only of those who use railways, but of the larger class who indirectly benefit by them, that there should be no impediment in the way of dealings in iron. But gold is an article more widely used than any of the above; it is at the root of every international transaction in commerce, of every home trade operation, of

every act of wholesale or retail dealing. It can hardly be denied that even the humblest class, who rarely use gold coin, are benefited by its existence. If practical men do not agree with Mr. Herbert Spencer\* in ignoring the operation of Gresham's law, and in advocating free trade in coin, it is probably because, as a matter of fact, the individual is in this case unable to protect himself. Those who contend for this extension of liberty rest their theory on the assumption that the maxim "*caveat emptor*" would sufficiently protect the individual who received gold in exchange for his goods; that he would examine the quality of the coin tendered to him, no less than the other party to the bargain would satisfy himself as to the quality of the commodities that he accepted, and that the prestige of certain brands of money would secure to them the preference; while the honest coiner would be keenly alive to his interest in detecting the manufacturer of an inferior and debased article. But this assumption ignores the fact that as it is, even our home trade cannot be called absolutely free; were it so there would be no necessity for any adulteration laws. If the public were able to protect itself, to discern between the evil and the good in such matters as buying its bread, milk, and other articles of greater or less necessity, it would be a reasonable hypothesis that adulteration is merely a form of competition which might be left to the operation of natural causes, since the result would inevitably be the survival of the fittest and best. But this is notoriously not the result which would ensue: the universal desire for health does not suffice to protect the public in selecting the most wholesome articles of food and drink, and it is beyond reasonable doubt that the no less widespread desire for wealth would not serve to direct its choice of the unadulterated coin. To test the exact weight and fineness of a piece of gold coin is an operation far beyond the resources of any ordinary individual, but for the expert it is a process that can be conducted to a nicety at an almost infinitesimal cost. It does not then seem unreasonable that the State, while claiming to supervise *en seigneur* the quality of all samples of this exceptional commodity (just as in foreign markets we see legs of mutton and quarters of beef certified by the inspector's brand), should do so without cost to the importing individual. This, indeed, seems to have been, after all, the view of Lord Overstone, who says, later on in the essay which is quoted above:†

"Gold of fixed weight and fineness, certified by the stamp of the State, is the medium in which all money obligations are to be adjusted . . . the sovereign is now a legal tender for the discharge of debts to an unlimited amount, because it contains the exact quantity of gold which the creditor is entitled to receive for his pound sterling."

It is less obviously apparent why our mints should work, as they notoriously do, for the benefit of foreign nations; Portugal, Egypt, Brazil use our gold coin as legal tender, and it circulates with immense prestige in almost every quarter of the globe; our sovereign is, in the words of Sir John Herschel,‡ "a cosmopolitan coin," and our legislation respecting it§ "has avowedly been to secure its universality of acceptance . . . if it can be shown that we receive a *quid pro quo* in some form of National advantage in return for an exaggerated mint outlay, the money may be well spent."

From another good authority, Sir John Bowring,§ we learn that our "sovereign is the only representative of value that circulates

\* *Social Statics*, pt. 3, ch. xxix.

† *Times*, Sept. 20th, 1869.

‡ *Times*, Sept. 2d, 1869.

§ *Report Inter. Com.*, Appx. p. 327.

§ *Report Inter. Com.*, p. 120.

in every mart. . . . Your franc changes, your dollar changes, your guilders change, your ducats change, but the pound sterling is always fixed; it appears to me to be a recognized cosmopolitan centre which regulates all the subordinate representations of value."

In view of such advantages as these, it is fairly open to consideration whether we do not obtain in the wide diffusion and prestige of the English sovereign an adequate *quid pro quo* in return for the expense which we incur in placing the coin in the hands of so large a portion of the commercial world.

III. *To what extent is it possible or expedient that a mint-charge should be levied?*—Together with this question we may consider another that is partly concurrent with it, Is the value of a coin enhanced by the imposition of a seigneurage or mint-charge? On this point the Chancellor of the Exchequer, twelve years ago, arrayed a considerable weight of authority on his side. Sir Dudley North, nearly two hundred years ago, expressed his opinion that

"Free coinage was a perpetual motion found out whereby to melt and coin without ceasing, and so to feed goldsmiths and coiners at the public charge."

Adam Smith\* says that

"When the tax upon coinage, therefore, is so moderate as not to encourage false coining, though every body advances the tax, nobody finally pays it, because everybody gets it back in the advanced value of the coin. . . . Neither the bank nor any other private persons are in the smallest degree benefited by this useless piece of public generosity (*i. e.*, a free coinage)."

McCulloch† says:

"Coins charged with a seigniorage (*sic.*) equal to the expense of coinage do not pass at a higher value than what actually belongs to them, but at that precise value; whereas, if the expense of coinage be defrayed by the State, coins pass at less than their real value. A sovereign is of greater utility and value than a piece of pure unfashioned bullion of the same weight, because . . . it is, owing to the coinage, better adapted for being used as money or in the exchange of commodities."

R'cardof again says:

"Although a given weight of bullion can never exceed in value a given weight of coin, a given weight of coin may exceed in value a given weight of bullion by the whole expense of seigniorage."

And, lastly, a quotation may be given from Mill‡:

"If Government throws the expense of coinage, as is reasonable, upon the holder . . . the coin will rise to the extent of the seigniorage above the value of the bullion."

Against this weight of opinion we may place those of witnesses of no small practical experience who gave their evidence before the Royal Commissioners on International coinage in 1868: Mr. Bagehot, Mr. Goschen and Mr. Newmarch, with greater or less emphasis, declined to indorse the opinion that the value of a coin could be raised *pro tanto* by the imposition of a seigneurage. Mr. Newmarch put the matter in his own downright way:

"The only meaning of value is the quantity and quality of gold in the coins I am to receive. If I lend this table to a man for a week, and he shaves off six inches from one end of it and sends it back to me in that state, then it is not the table I lent him, it is a table six inches shorter." (Q. 1,514.)

\* *Wealth of Nations*, Book iv., ch. vi. † Edit. of Adam Smith, Note ix., sec. 1. ‡ *Principles of Political Economy and Taxation*, chap. xxviii. § *Political Economy*, book iii., chap. ix., sec. 1.

## BANKING REFORM IN NEW YORK.

In our July number we published the address of Mr. George S. Coe before the Clearing-house Association, on the urgent need of redress for existing evils in the banking practice of this city. The three special abuses named were: I. The payment of interest on demand deposits. II. The crediting as cash checks on banks out of the city. III. The reception of large checks representing stock operations. These, and the clearing of checks upon institutions not members of the association, are considered in the report below.

The committee appointed by the New York Clearing-house Association on June 4th, "to recommend such reforms in the practices of the associated banks as would render their business safer to the public and more equitable to each other," having made report, was increased at a subsequent meeting of the Association by three new members, and requested to consider further the whole subject.

At a meeting of the Association, held on July 29, the following report was presented:

That while they substantially concur in the recommendations of the committee in its previous report, they have endeavored to remove some of the objections made during the discussion, so as to secure what they consider very desirable—a cordial and unanimous adoption of these reforms by the whole Association.

The most important, and, in fact, the special reform which is essential to the efficient and harmonious union and co-operation of the banks in one association, *is the total abolition of the payment of interest upon current deposits.*

This reform has been urged upon the banks from time to time for more than twenty-five years, and it has always received the most favorable consideration. Upon two special occasions, after violent financial revolutions throughout the country, like the present, it was adopted by almost unanimous agreement, and in each instance it failed of becoming a binding obligation only by the dissent of two or three members, whose active opposition was unfortunately permitted to defeat the wishes of the very large majority.

Your committee believe that the careful custody of money held in such a manner as to be *always responsive to call*, is itself sufficient compensation to its owners and depositors, and that banks which carry their full proportion of the reserve cash of the nation, and at the same time preserve their assets in legitimate commercial securities, render a just equivalent, and furnish a perfect guarantee, for the trust committed to their care; and that any further consideration or compensation than this must be given either at the expense of the needful reserve or of the safety of the investments. The proportion of cash to deposits, which, from long experience, conservative institutions in National commercial centers find it expedient to hold, is at least from one-quarter to one-third the amount. It must be evident that, at the average rate of interest, this ratio cannot be maintained by any bank where compensation is given for its deposits.

The responsible duty of holding and maintaining the ultimate cash reserve of this great nation is especially imposed upon the associated banks in New York, and from doing its full part of this imperative duty no one can honorably escape. They are all so in-



extricably bound together by the daily transfer of portions of the nation's deposits from one bank to another, by the difficulty of recovering checks upon defaulting members after they pass through the Clearing-house, by the universal distrust which one failing institution casts upon its associates, and by the urgent demand made upon the stronger, in time of trouble, to combine their resources for the protection of the weaker to avert public disaster, that an identity of interest is created by the very existence and necessities of this Association. This organization can, therefore, no longer be regarded as a simple place of meeting of bank officers, without responsibility for, and utterly independent of and indifferent to, each other's welfare and habits of business. These banks, as custodians of an interchangeable public trust, have practically, and within certain limits, become a federative community, with mutual responsibilities and obligations, and it is no less the privilege than the duty of the members to conduct their own business, and to scrutinize the practices of others, with a view to the stability of this Association and the welfare of the nation.

This view of the mutual relation of members was fully recognized in the recent action of the Association, when they took possession of one of the largest institutions and discharged its liabilities to the public of some eight millions of dollars, and when they further agreed to participate in any loss by the issue of loan certificates to that and to other banks; and also when they so changed the constitution as to permit official visitation and examination into the condition of members, and gave power to demand security for their exchanges.

Powers so great and so important as these, which have been exercised and concurred in by every member, are sufficient to show that this Association no longer regards itself as a simple meeting place for the exchange of papers, without further responsibility, but that it has become an institution of National significance and value, competent to consider any question vital to its own interests.

If the Association can thus promptly meet the necessities of a great financial crisis, it may certainly venture to urge upon its members the importance of such reform in their modes of business as they believe will tend to prevent such a crisis, and will enable them the better to meet one if it come.

Although this has been the practical experience of the New York Clearing-house Association, and although in every great emergency since its organization it has proved itself possessed of vast capacity to benefit the country and protect its own members, yet it must ever be kept in mind that *this is simply a voluntary Association*, subject to dissolution by a vote of the majority, and subject also to the withdrawal of members at their own pleasure. From the nature of the business, no bank, however prosperous, is so independent of all circumstances, that it may not on some special occasion find it convenient to seek the aid or the consideration of its colleagues. A solemn obligation, therefore, rests upon every one, to concede something to the common good. If the measure now proposed should, upon trial, prove erroneous, it may be revoked as readily as it is adopted.

With the rapid growth of this nation it is more and more important that this commercial depository be always kept specially strong in cash reserves, and be prepared to meet any sudden exigency that may arise within our vast domain. When the intention to do this is distinctly declared by the associated banks, by their abolishing the payment of interest upon deposits, and by thus re-

moving a great cause of weakness and of alienation among them, your committee believe that capital will be attracted to this city and to this associated body, as a place of special security. Thus it has proved with those members who have tried it. If a small proportion of the deposits hitherto secured by purchase be consequently drawn away to other institutions within this city, or to other places without it, that which remains will be more permanent and reliable, and will be sufficient to make our business safer and more profitable than before.

If it result in the retention of a larger cash reserve by interior banks, or in the withdrawal of those funds which are particularly subject to alarm, and which betray the depositaries into questionable temporary loans, it can be no cause of regret to the banks, nor to the nation.

The present occasion seems to your committee most opportune for this reform. The subject has been ripening in this Association for more than a quarter of the century. The business of the nation requires the financial support which this united and compact body can give it, and the experiment, if it be an experiment, ought now to be fairly and honorably tried.

To their special and important recommendation of ceasing to pay interests upon deposits, your committee have added but one more, viz. :

*That of confining the use of the Clearing-house exclusively to its own members.*

Hitherto,\* the practice of permitting exchanges through members of the Association, of checks drawn upon parties not members, has freely given every facility enjoyed by those who carry the burthens of the banking business to those who do not, and who neither fairly participate in its expense nor in its responsibilities. Such parties, therefore, possess advantages superior even to banks who created and who sustain the institution.

In order effectually to secure the object of strengthening the Association, as proposed in the first recommendation of your committee, it is manifestly necessary to withhold gratuitous facilities from active outside competitors, who would otherwise use our own appointed instrument, to subvert the object we have in view. If desired, every legitimate depositary possessed of the needed requisites and responsibility, may find entrance into the Clearing-house subject to the same conditions and restrictions as are imposed upon existing members. More than this cannot be justly required, and less will not afford adequate protection.

In respect to the subject of receiving upon deposit as cash, checks drawn upon places out of this city, your committee have thought it inexpedient now to make special recommendation ; but they suggest that a separate and special committee be appointed to investigate this question, and also to advise whether an arrangement could not be made through the Clearing-house, to secure some safe and prompt clearing of such checks, which will accrue to the benefit of all banks in the Association.

Finally, your committee cannot disregard the just complaint of the banks respecting the large volume of checks which arise from transactions in the Stock Exchange, and which embarrass them in their dealings with each other and greatly increase the risks of the Clearing-house. The committee, however, content themselves by the simple expression of the wish generally entertained among the banks, that some arrangement may be made by the parties interested, to establish a special Clearing-house for stocks, so that these large checks may be abated.

With these general remarks, your committee present the following summary:

*First.* That no member of the New York Clearing-house Association shall pay interest upon, or allow compensation for deposits after the first January, 1885.

*Second.* That to secure uniformity in the business of the banks, no checks shall pass through the Clearing-house except those drawn upon members of the Association.

*Third.* That any infraction of the above rules shall be regarded as a forfeiture of membership of the Association, subject on complaint of any member, to investigation by the Clearing-house Committee, in the manner provided in the Constitution.

*Fourth.* That the Association recommend that some mode of settlement of transactions at the New York Stock Exchange be adopted, whereby the large volume of checks which now pass through the Clearing-house from that business, may be diminished or avoided.

*Fifth.* If these measures be adopted by the Association, that the committee recommend the same to Clearing-houses in Boston, Philadelphia, Chicago and other cities.

All which is respectfully submitted by the committee:

GEO. S. COE, (Pres't American Exchange Nat'l Bank).

GEO. H. POTTS, (Pres't Nat'l Park Bank).

JOHN JAY KNOX, (Pres't Nat'l Bank of the Republic).

R. L. EDWARDS, (Pres't Nat'l Bank of the State of N. Y.).

JAMES T. WOODWARD, (Pres't Hanover Nat'l Bank).

F. A. PALMER, (Pres't Nat'l Broadway Bank).

WM. L. JENKINS, (Pres't Bank of America).

A minority report, dissenting from the above, was as follows:

The undersigned member of the committee appointed June 4th, 1884, and continued on July 8th with three members added "to enquire if the methods of business (in respect especially as to payment of interest on deposits and the receiving of checks on out of town places as cash) as conducted by the several members of this Association are uniform, etc.," begs leave to report as the result of his individual enquiry:

*First.* That the vital principle of the business of banks of deposit and discount, lies in the gathering together of temporarily idle funds, into a center where they can be made useful for the common good; that the payment of interest and negotiation of exchange, drafts, checks, etc., have been among the means employed for this purpose from time almost immemorial, by all commercial nations and communities; and that the methods of business as conducted by the members of this Association in this respect are substantially uniform, sixty-nine out of seventy-two banks in this city paying interest and all receiving checks on out of town places as cash for deposit.

*Second.* That the infinite multiplicity and variety of the combinations and complications, which arise in the transactions of the business of a great commercial country and a great commercial city, between banks and their correspondents; the intimate confidential personal relations between banks and their individual customers, make it absolutely necessary that there should be the utmost possible freedom of action between them; that a faithful compliance with our National and State laws will secure perfect safety for all.

*Third.* That the total abolition of the payment of interest upon, or allowance of any compensation or consideration in any form, directly or indirectly, for deposits; as also the receiving of checks or drafts on other cities as cash by an agreement of this Association, would be productive of great and lasting injury to the city of New York, endangering and retarding its commercial prosperity and also to the United States; that such an agreement is impracticable, and if made would be found impossible of enforcement by the Association, or execution by its individual members.

It is therefore respectfully recommended that the further consideration by this Association of these matters be indefinitely postponed.—Respectfully submitted,  
O. D. BALDWIN.

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### BANK LOSSES—HOW CAUSED AND THEIR CONSEQUENCES.

At the annual meeting of the stockholders of the Merchants' Bank of Canada at Montreal, in June, the report of the Board of Directors was followed by an address by the general manager, Mr. George Hague. In this address Mr. Hague reviewed the commercial events of the past year in their relation to banking prosperity, and pointed out many of the evils to which over-production, the expansions of credit, and speculation had led. He then alluded to a subject which is sometimes misunderstood by bank stockholders, viz., that of the losses suffered by banks generally. The suggestions of this experienced and sagacious manager are well worthy of consideration by bankers everywhere.

The profits of our banks do not differ so very largely from one another, and if their resources are well employed at a good rate of interest, with a reasonable allowance to depositors, they can be maintained with some steadiness. But losses are a different matter. No calculation as to future dividends, bonuses, &c., in any bank can be made without taking this element into account. Paradoxical as it may appear, it is the losses of banks that finally determine what their dividends and bonuses shall be. And the value of a large reserve fund, among other things, is this, that in a year of exceptional losses there shall be a reserve of former profits to fall back upon.

The losses of banks here generally are very much in excess of those suffered by banks in Great Britain. I know of banks there who have done a large mercantile business through a long succession of years in both good and bad times, whose losses would not average more than one-fifth of those suffered generally by Canadian banks. Why this is so is a very fair subject of enquiry. The heavy losses suffered by the banks of Canada have often been a subject of serious reflection to me. I do not know that bankers here are much inferior to their brethren in England in ability. Nor do I think, taken as a class, they would be less cautious in the same circumstances. But undoubtedly there is a difference in the mercantile tone of their customers. There is a difference, too, in their mode

of dealing with bankers. If a customer borrows money from a bank in England, he expects to be called on to give good solid security for it. He never dreams of taking offence at this; he knows his bankers will not share his profits; he does not, therefore, expect them to share his losses. There is an immense difference, too, in the character of the "customers' paper," or business bills offered to the banks here and in Britain. Such bills there are invariably for goods sold and delivered. If a merchant should offer to his banker bills which, though looking like bills for goods sold, are really based on nothing, he would be branded as little better than a forger. That is the feeling about such matters in England. In consequence of this, losses by trade bills are reduced to a mere fraction. In addition to this, if the law is broken and fraud committed, the guilty party knows he may expect punishment. A former Liverpool merchant is in prison at this moment under a long sentence for violating the provisions of the law respecting bailee bonds. Now, it is not reasonable to push comparisons too far, and we cannot expect in a new country like this to have matters exactly as they are in England. But I must say it would be a great blessing to bank stockholders if the ratio of losses could be diminished somewhat, so as to approach more nearly to the English standard; and anything I say at present is simply with an endeavor to bring about this desirable end. In ascertaining the cause, it is possible that the first step towards a remedy may be found. One cause of the heavier rates of losses in Canada is this, the great readiness of persons in this country to enter upon speculative enterprises on borrowed capital. There can be no doubt that one bad feature of our mercantile life is the recklessness with which men use borrowed money. There seems to be a mischievous notion abroad, also, that it is perfectly fair to put the loss of speculative enterprise upon the bank lending the money. The bank is never offered a share of the profit, if profit is made; but if a loss is suffered it is the bank must bear the burden. And after paying interest to a bank for years—simple interest on money borrowed—a person will reason that, as the bank has made a large amount of money out of him it ought to bear the burden of loss, if loss is suffered. A more dishonest mode of looking at things there cannot be. Yet we find it prevailing. It might be expected that men would be more careful about losing the money of other people than about losing their own; but the very contrary is the fact. There is, too, an idea abroad that a bank is a rich corporation, and that for this reason it can better afford to bear a loss than its customer. The truth is, that the bank simply consists of a number of gentlemen like yourselves, along with not a few persons of small means and narrow income, including widows and the children of deceased stockholders. It is these that suffer the losses which are inflicted upon banks. Yet a borrower who, by his folly or extravagance, loses all a bank lends him and more, will console himself by the idea that it is only a rich corporation that has suffered. The remedy is for banks to be more chary of their money. Why should they furnish men with the means of ruining themselves? A bank, we will say, may safely lend a certain firm the sum of \$10,000 or \$20,000, and get good security for it; but if, in an evil hour, they are tempted to lend \$80,000 or \$100,000, the borrower may very probably be ruined by it. He could find good security for the first sum. It is most likely impossible for him to find as good security for the increased amount. And here comes in another evil ele-

ment, viz., the competition between Canadian banks. A trader who has done well on moderate borrowings is seized with some speculative mania, and wants to double or quadruple his business. Of course he must borrow a large additional amount. If his own banker demurs he goes to another. In the eager competition for accounts and business, applications for large loans are, as a rule, readily listened to. If the application is entertained, the customer will probably inform his own banker, and the fear of losing business may probably move the banker to accept risks which he knows are dangerous. In the eyes of some persons the bigger the amount borrowed the more desirable the account is for the bank. The big loan means, for a time, a big return of so-called profits. Managers of branches are specially liable to be misled by this. But the heavy liability to loss that accompanies it is forgotten. Persons of a sanguine turn of mind constantly make mistakes in this direction. They have realized, we will say, a certain profit on a line of business well within their hand. They think, if they can double the business, they can make double the profit. They are then tempted to double the size of their mill or their store, to buy double the quantity of limits or land, to double their stock in trade, and to double the amount borrowed from the bank. But it is forgotten that all this means a double burden of interest, twice as much debt, doubled risks on credit sales, and double competition. The result not unfrequently is, that instead of doubling his profits, a trader makes no profit at all. In addition he often finds himself plunged into embarrassment in consequence of the load of debt he is carrying. One of the most prosperous of the rich men of this country told me he ascribed his prosperity mainly to this, viz., that he increased his business only as his capital increased. The contrary habit has to do with a large part of the failures of merchants and the losses that befall our banks. Merchants in Canada are far more prone to outside ventures and speculations than those in England. There are also few failures here with which this element has not to do. There are great facilities for such outside ventures here. But certain am I that, on the whole, no money is made by them, and much is lost. I have already referred to the widespread losses suffered by people who have dabbled in Manitoba lands. But this is the ordinary experience with such ventures. The man who sticks to his business, and looks to that, and that only—as a source of money-making—he is the man who comes out best in the long run. Of course, when a trader has acquired a large capital, and to employ or invest it, puts his money into an outside enterprise, he may risk the loss of it without detriment to anybody. The outside ventures I have referred to are those carried on with borrowed money. Often such ventures give rise to deception in order that they may be concealed from a banker. When an honorable tone is once broken down it is hard to recover it. And these ventures are seldom wound up without the banker suffering. I may be pardoned for stating, as another cause of bank losses, an unreasonable extension of bank branches in this country. Competition for business, both in our towns and cities, is far beyond anything known in England. Towns which there would have one or two banks, here have four or five. The cities of Montreal and Toronto have each more banks than Liverpool, though Liverpool has at least ten times as much business as either of them. There are more banks in Winnipeg than there are in manufacturing towns in England of 250,000 inhabitants, which do business with every

part of the world. Banking business is, consequently, pushed amongst us, as if such a thing as losses had never been heard of. Men are sometimes appointed solely for what is called their "popularity," and lending powers are committed to them, enabling them to be on the best of terms with all the speculative spirits of the neighborhood. The game goes on, pleasantly enough for a time; but disaster almost invariably follows. The unfortunate feature, however, is that the loss is not confined to the offending bank. Other banks and their customers are made to suffer for the folly of their neighbors. But the root of nearly all of our bank losses is that loans and credits are too large. In the town in which my early years were spent, a rigid rule prevailed amongst all the banks as to the ratio between a customer's yearly business and the amount of credit allowed him. I believe if the rule then prevalent were adopted generally in Canada, many of the loans granted by banks to their customers would be cut down one-third, and some considerably more. Our customers might think that they were hardly used if this ratio were adopted, but they would be well satisfied with the result. In the first eleven years of my banking life, in a busy manufacturing center, I do not believe there were eleven failures amongst the circle of our customers during the whole time. And I know that the losses of the bank from that time down to this have not averaged one-half of one per cent. per annum on its capital, taking in bad years as well as good ones. When we can arrive at that happy condition of things in Canada we shall have reason for congratulation. This is the real reason why bank dividends are so much higher in England than here. Very few pay less than ten per cent., while the majority pay over twelve per cent., and many go on steadily year after year paying fifteen to twenty per cent. The secret is not so much greater profits as smaller losses. I do not see why, with a better understanding between banks, we may not approximate closer to this condition of things here. The power to obtain unreasonable credit is much facilitated by the mischievous practice of borrowing money and discounting bills at two or three banks. To imagine that this is good for the borrower is a delusion. In confirmation of this I may say that in every failure of importance in this city it has transpired—I think with scarcely an exception—that more than one bank account was kept. And I am bold to say, from my knowledge of the circumstances of some of these failures, that had they kept but one account they would not have failed at all. If the banks of the Dominion could arrive at that common understanding among each other that prevails in Scotland, I am persuaded that the result would be a large diminution of failures and losses, both to the mercantile and banking community. The evils of over-competition were severely felt there some years ago. It was agreed, after full discussion, that a committee of the different banks should revise the whole field, and decide which banks were to withdraw from certain towns or localities. The result was a large diminution in the number of branches, a decrease of competition, much reduced facilities for reckless borrowing, far greater security for prudent traders, and a lifting up of the whole mercantile tone of the community. If Scotland wanted this some years ago, I am certain that Canada wants it far more at present. It is to be hoped, for the sake of the mercantile community and of the banks also, that some arrangement for mutual understanding and joint action may be arrived at, by which reckless competition, with all its attendant evils, may be put an end to in Canada.

## TREASURY NOTES.

In the July number of the Magazine we noticed the recent historical work of John Jay Knox pertaining to the various issues of paper money by the United States. The following article is drawn from that work.

"At the date of the adoption of the Constitution," writes Mr. Knox, "the issue of paper money in any form was popularly regarded with aversion. The experience of the colonists with 'bills of credit,' as paper money was then called, had been fraught with loss and political disturbance, and the experience with like issues by the Continental Congress had so affected the minds of the wisest and best men of that time that to the Federal Convention the general feeling was one of almost bitter opposition to granting the power to emit bills of credit to the new government." The author further adduces the fact that from 1791 until 1812 "the method of raising funds for the Government by the issue of 'bills of credit' was not even suggested."

Before the Revolutionary War paper money was issued to a greater or less extent by each one of the thirteen colonies, Massachusetts taking the lead in 1690, to aid in fitting out the expedition against Canada. Similar issues had been made by New Hampshire, Rhode Island, Connecticut, New York and New Jersey previous to the year 1711. South Carolina began to emit bills in 1712. Pennsylvania not until 1723. Delaware followed the example in 1734, Virginia in 1755, and Georgia in 1760. Thus it appears that a privilege, somewhat grudgingly accorded, it is true, to the colonies by the mother country, was withheld from them as individual States; "and wisely, too," said Alexander Hamilton, by the Federal Constitution.

But the English Government did not view this independent financing of the various colonies with complacency. In 1740 Parliament passed a bill to extend the act of 1720, significantly known as "the Bubble Act" to the American colonies, with the intention of breaking up all companies formed for the purpose of issuing paper money. Under this law the Land Bank and the Specie Bank of Massachusetts were compelled to close their business, to the great dissatisfaction of the colonists. The action of Parliament was not altogether unreasonable, since in 1748 a hundred pounds in gold were worth eleven hundred pounds of the depreciated paper money of the Massachusetts banks.

The first issue of continental money was made in June, 1775, and maintained its face value for a whole year. In two years these notes had fallen to fifty per cent. of their nominal value, to twenty-five per cent. of it in three years, and in nine months more to ten per cent. of their par value. In September, 1779, paper money was at ninety-five per cent. discount, and though Congress had determined that the total issues should not exceed \$200,000,000 the value of gold as compared to paper money in 1780 was as forty to one. The proportion finally reached 1,000 to one in Virginia, shortly after which continental paper money ceased to have any value whatsoever.



The eighth clause of the first section of the seventh article of the Constitution, as presented for the consideration of the convention held in Philadelphia, on May 14, 1787, read originally as follows: "The Legislature of the United States shall have power to borrow money and emit bills on the credit of the United States." It now reads, as amended: "The Congress shall have power to borrow money on the credit of the United States." Then and there the question of making bills of credit issued by the Government a legal tender was for the first time brought under discussion, and was not again brought up in Congress until the legal tender acts of 1862.

During the debate in 1787 Gouverneur Morris of New York, moved to strike out the words in the original clause: "and emit bills on the credit of the United States." His argument was: "If the United States had credit, such bills would be unnecessary; if they had not, unjust and useless." Madison asked whether it would not be sufficient to prohibit the making them a tender; but Morris, in reply, urged that striking out the words would still leave room for the notes of a responsible minister, which would do all the good without the mischief. The words were finally stricken out, nine States voting aye; two—Maryland and New Jersey—voted in the negative.

Scarcely twenty years had passed, however, after the adoption of the Constitution before interest-bearing Treasury notes were issued. They were resorted to in the second war with Great Britain, and were issued in the years 1812, 1813, 1814 and 1815. They were not, however, intended to circulate as money, and were retired as soon as possible when the emergency was passed. The crash of 1837 and the Mexican war also gave occasion for temporary issues of Treasury notes, but it was not until the war of the Rebellion that the subject became of first importance, and then for the first time the legal-tender quality was suggested, and with the rapidly succeeding issues the last constitutional scruples were swept away.

The amount of Treasury notes issued during the war of 1812-15, under six different acts of Congress, including the \$3,392,994 of small Treasury notes issued under the act of February 24, 1815, was \$36,680,794. In January, 1847, the Treasury was again in need, on account of the expenses of the war with Mexico, and a bill was introduced authorizing the issue of twenty-three millions of Treasury notes, supplemented by an additional issue of five millions under the previous act of July 22, 1846. The whole amount ever actually issued was \$26,122,100. The rate of interest was five and two-fifths and six per cent., secured by \$28,230,350 of United States six-per-cent. bonds. The Treasury notes issued under the act of January, 1847, were all retired before July 1, 1850, with the exception of \$200,000; and no more were issued until, under the pressure of a panic, an act was passed on December 23, 1857, authorizing an issue of Treasury notes not exceeding \$20,000,000. The whole amount was issued. During Buchanan's administration \$357,364,450 in all of Treasury notes were issued, under the act of February 8, 1861.

The public debt of the United States reached its maximum on August 31, 1865, when it amounted to \$2,845,007,626.56 Of this amount \$1,109,568,191 was in funded debt, \$1,503,020 was debt which had matured and \$2,111,000 was in suspended requisitions. The remainder was as follows:

United States legal tender notes.....	\$ 433,160,569 00
Compound interest legal tender notes.....	217,024,160 00
Five per cent. legal tender notes.....	33,954,230 00
Seven-thirty notes.....	830,000,000 00
Fractional currency.....	26,344,742 51
Temporary loans.....	107,148,713 16
Certificates of indebtedness.....	85,093,000 00
Total.....	\$ 1,732,725,414 67

More than 684 millions of these obligations were a legal tender, of which 207 millions were bearing compound interest at the rate of six per cent.; 830 millions were in Treasury notes, bearing interest at the rate of seven and three-tenths per annum. There were \$1,540,483,701 of Treasury notes either payable on demand or bearing interest.

## RESTRICTED INDORSEMENT.

UNITED STATES CIRCUIT COURT, S. D. NEW YORK.

### *Bank of the Metropolis v. First National Bank of Jersey City.*

An indorsement upon negotiable paper "For collection; pay to the order of A B," is notice to all purchasers that the indorser is entitled to the proceeds.

An action for money had and received lies against any one who has money in his hands which he is not entitled to hold as against the plaintiff; and want of privity between the parties is no obstacle to the action.

WALLACE, J. The plaintiff sues to recover the amount of certain checks of which it was the holder and owner, and which came to the defendant's hands and were collected by its sub-agent under the following circumstances:

The plaintiff sent the checks to the Mechanics' National Bank of Newark for collection, with the qualified indorsement, "For collection; pay to the order of O. L. Baldwin, cashier," Baldwin being the cashier of that bank. The Mechanics' National Bank of Newark sent the checks for collection to the defendant, pursuant to an existing arrangement between them by which each sent to the other commercial paper for collection, it being understood that the proceeds were not to be specifically returned, but were to be credited to the sending bank by the receiving bank, and enter into the general account between them, consisting of such collections and other items of account, and offset any indebtedness of the sending bank to the receiving bank. After the defendant received the checks in question the Mechanics' National Bank of Newark became insolvent, and suspended payment, being indebted to the defendant under the state of the accounts between them in a considerable sum.

Upon these facts it is clear that the relations between the defendant and the Newark bank in respect to paper received by the former from the latter for collection were those of debtor and creditor, and not merely of agent and principal (Morse, Banks, 52) and the defendant, having received the paper, with the right to appropriate its proceeds upon general account as a credit to offset or apply upon any indebtedness existing or to accrue from the Newark bank, growing out of the transactions between the two banks, was a holder for value. Since the decision in *Swift v. Tyson*, 16 Pet. 1, it has been the recognized doctrine of the federal courts that one who acquires negotiable paper in payment or as security

for a pre-existing indebtedness is a holder for value (*National Bank of the Republic v. Brooklyn City, etc., R. Co.*, 14 Blatchf. 242, affirmed 102 U. S. 14), and if the defendant had been justified in assuming that such paper was the property of the Newark bank, it would have been entitled to a lien upon it for a balance of account, no matter who was the real owner of the paper. *Bank of Metropolis v. New England Bank*, 1 How. 234. But the checks bore the indorsement of the plaintiff in a restricted form, signifying that the plaintiff had never parted with its title to them. In the terse statement of Gibson, C. J., "a negotiable bill or note is a courier without luggage; a memorandum to control it, though indorsed upon it, would be incorporated with it and destroy it." *Overton v. Tyler*, 3 Penn. St. 348. The indorsement by plaintiff "for collection" was notice to all parties subsequently dealing with the checks that the plaintiff did not intend to transfer the title of the paper or the ownership of the proceeds to another. As was held in *Cecil Bank v. Bank of Maryland*, 22 Md. 148, the legal import and effect of such indorsement was to notify the defendant that the plaintiff was the owner of the check, and that the Newark Bank was merely its agent for collection. In *First Nat. Bank v. Reno Co. Bank*, 3 Fed. Rep. 257, paper was indorsed, "Pay to the order of Hetherington & Co. on account of First National Bank, Chicago," and it was held to be such a restrictive indorsement as to charge subsequent holders with notice that the indorser had not transferred title to the paper or its proceeds. Under either form of indorsement the natural and reasonable implication to all persons dealing with the paper would seem to be that the owner has authorized the indorsee to collect it for the owner, and conferred upon him a qualified title for this purpose and for no other. Other authorities in support of this conclusion are, *Sweeney v. Eastor*, 1 Wall. 166; *White v. Nat. Bank*, 102 U. S. 658; *Lee v. Chillicothe Bank*, 1 Bond. 389; *Blaine v. Bourne*, 11 R. I. 119; *Claflin v. Wilson*, 51 Iowa 15. The defendant could not acquire any better title to the checks or their proceeds than belonged to the Newark bank, except by a purchase for value, and without notice of any infirmity in the title of the latter. As the indorsement of the checks was notice of the limited title of the Newark bank, the defendant simply succeeded to the rights of that bank.

It is insisted for the defendant that there was no privity between the plaintiff and the defendant respecting the transaction, because the defendant was not employed by the plaintiff, but was the agent only of the Newark bank; and it is argued that if the defendant is answerable to the plaintiff, so would be every other party through whose hands the paper might pass in the process of being collected. In answer to this it is sufficient to say that the defendant is sued, not as an agent of plaintiff, nor upon any contract liability, but upon the promise which is implied by law whenever a defendant has in his hands money of the plaintiff which he is not entitled to retain as against the plaintiff. It has long been well settled that want of privity is no objection to the action of *indebitatus assumpsit* for money had and received. See note *a*, Appendix, 1 Cranch. 367, where the authorities are collated.

As against the plaintiff, the defendant had no right to retain the proceeds of the checks as security or payment for any balance due to it from the Mechanics' National Bank of Newark after a demand by the plaintiff. The plaintiff is therefore entitled to judgment.

## LEGAL MISCELLANY.

**PROMISSORY NOTE—ALTERATION—SIGNING AS SURETY AFTER EXECUTION.**—In this case the note was given for money borrowed by Rudisill of plaintiff, and one Fuller signed it as surety upon the request of plaintiff, and without the assent or knowledge of the makers of the note. Rudisill signed it as surety after its maturity. This was innocently done, without any fraudulent intention on the part of any one, for the purpose of better securing the note after unsuccessful efforts to collect it. *Held*, that the signing of a promissory note by one as a joint maker, after the execution by the original maker without his knowledge and consent, is a material alteration which will defeat the instrument. *Hamilton v. Hooper*, 46 Iowa 515; *Dickerman v. Miner*, 43 id. 508; *Hall's Adm'x v. McHenry*, 19 id. 521. When a promissory note has been innocently altered without any fraudulent purpose, the payee may recover in an action brought upon the original consideration. *Krause v. Meyer*, 32 Iowa 566; *Clough v. Leay*, 49 id. 111; *Morrison v. Huggins*, 53 id. 76; 4 N. W. Rep. 854; *Eckert v. Pickel*, 59 Iowa 545; 13 N. W. Rep. 708. *Sullivan v. Rudisill*. Iowa Sup. Ct.

**CORPORATION—TRANSFEREE OF STOCKS NOT STOCKHOLDER UNTIL TRANSFER MADE.**—Under the act of 1853 a transfer of stock until entered on the books of a corporation has no validity outside of the parties to such transfer. If not, could it affect the validity of an election at which trustees of the company were elected? If so would not a transfer, although not entered on the books of the company, be valid outside of the parties to such transfer? The construction which we feel compelled to give to this clause is that a transfer of stock, until entered upon the books of the company, confers on the transferee, as between himself and the company no right beyond that of having such transfer properly entered. Until that is done, or demanded to be done, the person in whose name the stock is entered on the books of the company is, as between himself and the company, the owner to all intents and purposes, and particularly for the purpose of an election. *State v. Ferris*, 42 Conn. 560; *Hoppin v. Buffum*, 9 R. I. 513; *Gilbert v. Manuf'g Iron Co.*, 11 Wend. 627; *Bank of Utica v. Smalley*, 2 Com. 770; *Bank of Buffalo v. Kortright*, 22 Wend. 348; *State v. Pettinelli*, 10 Nev. 141. "As between a corporator and the corporation, the records of the corporation, or its stock-book, as it is called, is the evidence of their relation. Meetings of the stockholders, elections and dividends, etc., are regulated by this record. The certificate is but secondary evidence, and is never demanded except when the stockholder deals with the corporation in a contract relation." *Bank of Commerce's Appeal*, 73 Penn. St. 59. Whatever rights the purchaser of a certificate of stock may acquire as between himself and his vender, it is well settled as between himself and the corporation he acquires only an equitable title; and until he secures a transfer on the books of the company he is not a stockholder, and has no claim to act as such. *N. Y. & N. H. R. Co. v. Schuyler*, 34 N. Y. 80; *Grymes v. Hone*, 49 id. 17. *People v. Robinson*. California Supreme Court. Opinion by Sharpstein, J.

**PROMISSORY NOTE—WARRANTY OF COLLECTION.**—The warranty that a note is as good as gold, or as good as money, is not in legal effect a warranty that it is collectible by due process of law, and it is not necessary to exhaust the legal remedies at law against the maker before suing the assignor of the same for a breach of warranty. *Taylor v. Soper*. Mich. Sup. Ct.

**INDORSER—NOT LIABLE—PAPER NOT NEGOTIABLE.**—A promissory note bore upon its face a statement that it was issued as collateral to the maker's draft accepted by a third party. In an action against the indorsers of this note in their character of indorsers, *held*, that the undertaking of the makers was a contingent one; that the amount due on the note at its maturity was uncertain; that the note was not negotiable, and that the indorsers, as indorsers, were not liable. *American National Bank v. Sprague*. R. I. Sup. Ct.

**STOCK—LEVY UNDER EXECUTION—SALE—TRANSFER ON BOOKS.**—(1) A statute provided that when an execution is levied upon corporate stock "the said stock or shares, or so much thereof as shall be necessary, shall be advertized and sold in the same manner as other personal property levied on by execution, and a deed or deeds thereof given by the officer aforesaid shall vest in the purchaser all the right, title and interest of the defendant in such shares so sold as aforesaid, and shall be recorded by the recording officer of such company." *Held*, that the officer's deed vested in the purchaser all the defendant's title, and that a transfer on the corporation books was superfluous. (2) A purchaser at an execution sale of corporate stock, after receiving his deed from the officer, filed a bill in equity against the corporation to compel it to transfer the stocks on its books. The bill did not charge that the deed had been presented for record and the record refused. *Held*, that the bill stated no case for equitable relief. *Lippitt v. American Wood Paper Co.* Opinion by Durfee, C. J. [Rhode Island Sup. Ct.]

**NEGOTIABLE INSTRUMENT—CERTIFICATE OF STOCK, NOT—THIEF CAN PASS NO TITLE.** Certificates of stock are not securities for money in any sense; much less are they negotiable securities. They are simply the muniments and evidence of the holder's title to a given share in the property and franchises of the corporation. *Mechanics' Bank v. N. Y. & H. R. Co.*, 13 N. Y. 627; *Sherwood v. Meadow Valley Mining Co.*, 50 Cal. 412. The case last above cited (*Sherwood v. Meadow Valley Mining Co.*) was an action based on the following facts: One Schmeidell was the owner of twenty shares of the stock of the defendant, and held a certificate therefor issued to himself as trustee, and he sold the shares and delivered the certificate properly indorsed to Levy, who lost the same, not having had the stock transferred on the books of the corporation. The plaintiff purchased (as he supposed) the stock, and received delivery of the certificate for value in the usual course of his business as a stock-broker. It was held that the plaintiff acquired no right to the stock. Where stock of an incorporation stands on the books in the name of A, and the stock is owned by B, and the certificate, though properly indorsed, is stolen from B without his fault, the thief can pass no title to a purchaser in the ordinary course of business, for value, without notice of any defect in the vendor's title, and B may pursue and recover his property. *Winter v. Belmont Mining Co.*, 53 Cal. 428, distinguished. *Barstow v. Savage Mining Co.* California Supreme Court. Opinion by Myrick, J.

**PROMISSORY NOTE—BONA FIDE HOLDER—WHO NOT.**—Where a bank transfers a promissory note to a party to secure a pre-existing indebtedness, there being no new consideration beyond a mere forbearance to secure the claim by attachment, such party is not a *bona fide* holder for value, and cannot recover on the note. *Bone v. Tharp*. Iowa Sup. Ct.

**NEGOTIABLE INSTRUMENT—BURDEN OF PROOF—ACCOMMODATION NOTE TRANSFERRED AFTER MATURITY.** When it is a part of the defense that a note was taken after its maturity such fact in general must be proved by the defendant. *Duncan v. Gilbert*, 5 Dutch. 521; *Harger v. Worrel*, 69 N. Y. 370. An accommodation note is negotiable after its maturity, and if taken for value will bind all parties to it. The plaintiff was a married woman, and had taken the note in suit in the State of Pennsylvania by indorsement from her husband. There was no proof of the law of Pennsylvania. *Held*, that the rule of the common law was applicable, and that she showed no title to the note. *Seyfert v. Edison*. New Jersey Sup. Ct.

**NEGOTIABLE INSTRUMENT—PROTEST—DILIGENCE OF NOTARY.**—When the maker's name to a note is illegible, the notary, in making protest, must make a reasonable effort to ascertain the name. If the notary neglect such duty or misdescribes such name, whereby an indorser is misled, the protest will not be available as to such party. A mistake of that character is not attributable to the negligence of the holder of the paper, or that of his agent, giving notice of its dishonor, but the indorser who passes the paper into circulation must bear the consequences of such misleading defect. But when the name of the maker is not so fashioned as to suggest to the notary a false name, but he finds it illegible, then it plainly becomes his duty to use reasonable endeavors to ascertain who is the person indistinctly signified. He is, when thus placed, put upon inquiry, and must use proper diligence. Such I understand to be the legal rule. Pars. on Bills and Notes, 485. *McGeorge v. Chapman*. New Jersey Sup. Ct.

**TAXATION—NOTES—"USED FOR CIRCULATION"—NOTES GIVEN TO EMPLOYEES.**—The nineteenth section of the act of February 8, 1875 (18 St. 311), providing that "every association other than National bank associations, and every corporation, \* \* \* shall pay a tax of ten per centum on the amount of their own notes used for the circulation and paid out by them," does not apply to certificates of indebtedness, bearing interest and payable to bearer on a certain day therein named, issued in denominations of five and ten dollars each, and paid out by a railroad company to its employees for wages, and providing that they would be received by the company at or before maturity for any debts due the company. These notes or certificates, having been issued only to the employees of the company on account of wages, and when paid by the company having been cancelled and not reissued, were not "used for circulation," and that they were used afterward by those to whom they were issued to discharge their debts to others or to purchase subsistence for themselves, does not affect the character imposed upon them by the company. We are of opinion that this case is ruled by *U. S. v. Wilson*, 106 U. S. 620; 2 Sup. Ct. Rep. 85. In every essential particular the certificates issued there and those in question here are remarkably alike. The former were certificates of indebtedness, good for round sums, payable to bearer at

a future day, with interest, and one-fourth of their face value was receivable before maturity for freight and debts due the company, and were paid out again at their face value with interest. Under these circumstances the Supreme Court held that it was not satisfied that these certificates "were calculated or intended to circulate or be used as money." Now in view of this decision, we cannot hold that certificates of similar form, used by the railroad company, not for circulation, but as evidence of wages due to its employees, are within the scope and meaning of the act of Congress. *Philadelphia & R. R. Co. v. Pollock*. Cir. Ct. E. D. of Penn.

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### BOOK NOTICES.

*Government Revenue, especially the American System: An Argument for Industrial Freedom against the Fallacies of Free Trade.* By ELLIS H. ROBERTS. 1 Vol. 12 mo. Boston: Houghton, Mifflin & Co. 1884.

This volume is composed of several lectures delivered at Cornell University last winter pertaining to the history, theory and practice of obtaining a Government revenue. The author is an experienced journalist, served very successfully in Congress, and is regarded as an able supporter of the doctrine of protection. In the volume before us he has defended with no small success the protective policy maintained by our Government during the greater period of its existence. He has shown that the policy of protection of home industry is as old as civilization itself, and that the prosperity of every nation in the history of the past has been owing to it. He asserts that the revenue systems of all the Asiatic nations are to-day protective, and also those of France, Austria, Northern Germany, Russia, Italy, Spain and Switzerland are systematically and increasingly devoted to the policy of levying charges with the purpose of favoring home production. The first four chapters are preliminary to the main argument of the book, and are largely historical in character. The one dealing with the American methods of raising revenue is particularly interesting, and contains a résumé of the legislation of our Government upon the subject since its establishment. The author maintains that home production lies at the very root of all property and should be favored in preference to foreign commerce.

"The crucial point of criticism against the protective system is that it interferes with commerce. But it asserts industrial freedom in the whole range of production. The appeal is urged to abolish protective duties, especially in order that we may find a foreign market for our wares. In addition to this plea is a demand that we shall by removing duties restore our flag to the ocean. The assumption that we can secure the carrying trade by sacrificing our manufactures is not sustained by anything but phrases. We lost a share of the ocean-carrying first by the war of 1812, which was waged directly to drive our vessels from the waters, and succeeded in checking our maritime progress. We had made vast gains, when again the war of the rebellion enabled foreign powers, under the flag of the Confederacy, to strike a deadly blow at our merchant navy. The introduction of iron for ships contributed to supplant our wooden clippers by steam vessels, and we:

have not yet recovered the lost ground. Nor is it the first or the most important task which devolves upon American enterprise. Until we have still farther extended our home production, and carried still farther the network of our railroads, we have labors quite as imperative as any foreign rivalry can prompt. Capital and industry are getting better returns in these home enterprises than ocean service can now promise. When these fields are fully tilled, American courage and foresight will tempt the seas once more." The work exhibits considerable research, is temperate in statement, and is a welcome addition to our economic literature.

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*Work and Wages.* By PROF. J. E. THOROLD ROGERS, M. P. New York: G. P. Putnam's Sons. 1884.

This is a great work considered from many sides. It is a vast storehouse of instructive facts, many of which the distinguished author was the sole possessor. Prof. Rogers is the only Englishman who could write such a work. The history of finding a considerable portion of the materials used in the preparation of the work is interesting. On a certain occasion, some workmen were making repairs in Merton College, Oxford, when Prof. Rogers came along, and with ordinary curiosity inquired what they were doing. He suggested that a small room was completely closed at the place where they were working. They declared there was not space enough enclosed for a room. So much was said, however, that the workmen attacked the wall in front of them, and after a slight iconoclastic effort, a small room was discovered, which proved to be the old buttery of the college and contained the documents on which a large part of the author's work relating to the history of agriculture and prices is founded. From the latter source more immediately has much of the information been drawn contained in the present volume.

The work evinces great industry. Though no references are given, the facts are of a nature which at once reveal the difficulty in collecting and shaping them. Besides, the author's vast learning and deep thinking have borne rich fruit in the way of many golden remarks that are scattered throughout the volume. The profit is immense in studying an author whose fullness is ever apparent.

The author traces the changes wrought by six centuries in the rate of wages and the prices of the necessities of life. The social and economical condition of the laboring man, therefore, is traced through every important epoch from the reign of Henry III. to our time. The history of some of these changes is exceedingly interesting, like that of giving and receiving money compensation in lieu of labor rents. The effects of the pestilence which visited England in 1348, and called the "Black Death," are set forth in a very graphic manner. The author says that one effect was to increase the wages of men about fifty per cent. and those of women twice as much.

The closing chapters treat of the present situation. The author regards with hopefulness industrial partnerships and trade unions. If the principle of combination be applied with fidelity and energy the author is quite sure that it will prove effective. "It is the business of particular crafts of workmen to sell their labor at as good a price as they can. They never have ruined



and they never will ruin the capitalist employer by the process, for they may be trusted not to ruin themselves, since they are quite as acute as their employers in discerning what price the market will bear." For the many grievous shortcomings in the present position of the artisan, factory, and urban population, and for improving the condition of the agricultural laborer, there is but one remedy—"the extension of labor organizations on the trade union principle, but with considerable improvements in detail. If it be found that those callings alone have prospered in which labor partnerships have been developed, and those have prospered most in which the fundamental principles of such labor partnerships have been most prudently kept in mind and acted on, it stands to reason that an extension of the system to other callings, now notoriously underpaid, is the most obvious remedy for low wages and uncertain prospects." Nor has Mr. Rogers any fear that when the entire mass of English workingmen in town and country become permeated with the spirit of combination, and are awakened to the tremendous power which concerted action bestows, they will become infected with the anarchical schemes of Continental socialism. They were the masters of England in the fourteenth century through associations of labor similar, in many respects, to those now existing. Yet, all that they then asked in the hour of their omnipotence was the assurance of continued employment at fair wages, and of a comfortable livelihood for themselves and for their families. The author is sure that they would ask no more to-day.

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*Political Economy.* By FRANCIS A. WALKER. New York: Henry Holt & Co. 1884.

This is mainly an abridgement of the author's larger work on the same subject, which was published last year. The great merits of the work were noticed by us when first published. The issue of three editions within a year is gratifying proof of its excellence. The highest degree of candor, thoroughness of exposition, and a treatment of every topic with due regard to its importance, are some of the features of the present work. We know of no other general work of similar size in which the sense of proportion has been so well preserved, and in which every topic has been so adequately treated. Several new chapters have been added, two of which, "The reaction of exchange upon production," and "The reaction of production upon distribution," will be reviewed in a future number of the Magazine.

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A BARBARIAN SAFE DEPOSIT AND SAVINGS BANK.—It has been reserved for an uncivilized potentate to solve the problem of keeping money safe from defaulters and burglars, a problem which has well nigh baffled all the resources of our boasted civilization. The Emperor of Annam has hit on a device for keeping secure the royal reserve funds even against the promptings of his own cupidity. The treasure is placed in hollowed-out trunks of trees, which are thrown into a pool of water within his palace walls. In the water are kept a number of absolutely incorruptible guardians in the shape of crocodiles, which will eat alive any person who attempts to meddle with the submerged treasure. When it becomes indispensable to draw upon this novel style of bank, the crocodiles have to be killed; but this can be done only with the Emperor's permission, and after the matter has been duly approved by the Minister of Finance.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. CONTRACT TO PAY INTEREST ON DEPOSIT.

B, as the trustee of an insolvent estate, inquires of a bank cashier what rate of interest he will pay on deposits if he will keep his account with him. A rate is named and the account opened. At the end of two years the bank notifies the trustee, in writing, that on and after a certain future date payment of interest will cease. B, the trustee, demurs, claiming that until the trust is closed the bank will be held to be under obligation to continue its interest credits. The bank denies the existence of any such liability after the said notification, inasmuch as it was bound by no agreement in the premises beyond the time of its pleasure. Nevertheless, the trustee continued his deposits for two years longer, when he reasserts his demand, and threatens suit if not met. Is the bank responsible for interest after the notice?

REPLY.—We think not. Of course the answer to the inquiry depends upon the construction which is to be given to the contract made between the bank and the depositor. We think it was a contract terminable at the will of either party. Certainly the depositor was entitled to draw his money at any time; and if the bank had not a corresponding right to terminate its contract with the depositor, it must follow that it would be liable to go on paying interest forever, at his election, which would be contrary to the law as we understand it. It may be that the bank should have made a formal tender of the amount due to the depositor, and that it is liable for the interest by reason of having failed to make a tender. This is a technical matter upon which we give no opinion; but upon general principles we think that the bank had the right, in some form, to terminate its contract to pay interest on the deposit.

## II. GRACE ON CHECKS PAYABLE AT FUTURE DAY.

Is a check dated, say 27th June, and payable on its face 7th July, entitled to grace? If not, is it incumbent on a collecting bank, to whom such check is sent before 7th July, to hold it until that date before presenting it? If grace on such a check is excluded, will you please state the principle by which it is so excluded.

REPLY.—This is a point upon which the authorities are conflicting, but the better opinion is that an instrument of this sort is not properly a check, because not payable immediately, but is a draft or bill of exchange, and so entitled to grace. In New York by force of a statute recently passed to settle the question, it would not bear grace; nor in Pennsylvania. See a strong opinion by Judge Sharswood in *Champion v. Gordon*, 70 Penn. St. 472. But the great weight of authority is in favor of treating the instrument as a bill of exchange. See Daniel on *Negotiable Instruments*, § 1572, and cases cited. As regards the duty of the collecting bank, the paper should be held until the day it falls due and then presented for payment; for whether payable on the 7th or the 10th of July, in neither case would presentment for acceptance be necessary. If the question is doubtful in the State where the case arises, prudence suggests that the paper should be presented for payment on both days, if not paid on the 7th.

## BANKING AND FINANCIAL ITEMS.

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**The Banker's Almanac and Register.** July edition, is now issued. There are many changes during the past six months, and a larger number of new banks and bankers than ever before. The lists for the United States alone comprise nearly **eight thousand**. The list of foreign banks and bankers is now very complete. Forwarded from this office on receipt of price, Three Dollars.

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**BANKING REFORMS IN NEW YORK.**—At a meeting of the Clearing-house Association of this city, on July 29, the report of the special committee (which appears in full in another part of our present number) was received and discussed. The meeting adopted, subject to the ratification of the banks individually, two of the recommendations of the report, viz., that no member of the Association shall pay interest or allow compensation for deposits after January 1, 1885, and that no checks shall pass through the Clearing-house, except those drawn on members of the Association. The remaining recommendations were held over for consideration at some future meeting.

**THE BANKERS' CONVENTION.**—The Executive Council of the American Bankers' Association have fixed upon the thirteenth and fourteenth of August, at Saratoga Springs, N. Y., for their convention. The subjects for discussion will include the following: The causes of the recuperative strength of our finance and commerce; the perils and the safeguards of our banking system; the relation of the banks to the Treasury; the present aspects of the silver question; the indications of the foreign demand for securities; the prospective crop exports and the international exchanges; the decline in the rate of interest: the less remunerative results of bank circulation; the comparative growth of National, State and private banks in various sections of the country; proportions of the Treasury balance of gold and silver; the latter tendencies of usury legislation; the best means of obtaining sound bankruptcy legislation; the guarantees against defalcation and breach of trust: the growth of direct trade between the West and Europe, with its influence on American banks and their methods; the proposed improvement in bills of lading; the movements of the Clearing-houses; the lessons from the recent panic, and the causes of our former monetary perturbation before and since the war.

**HEAVY BANK ASSESSMENTS.**—The Comptroller of the Currency has directed that assessments of 100 per cent. each be levied on the shareholders of the Marine National Bank of New York City, and of the First National Bank of Monmouth, Ill.

A dividend of fifteen per cent. has been declared in favor of the creditors of the Marine National Bank. A second dividend is looked for shortly. Some of the directors believe that the assets of this bank will yield seventy-five per cent. of its indebtedness to depositors.

The Comptroller has declared a second dividend of twenty per cent. in favor of the creditors of the First National Bank of Monmouth, Illinois. The first dividend was declared on June 13th.

**ALABAMA.**—The Bank of Mobile, the oldest financial institution in the State, chartered in 1819, suffered a run on the morning of July 8th, owing to rumors which had prevailed for several days relative to its solvency. In the afternoon the directors met and reviewed the affairs of the bank. After throwing out all doubtful paper it was found that the bank had enough to pay all its indebtedness and would have about \$60,000 over. Under the

pressure existing, and the prospects of a severe run on the next day, a majority of the directors voted to assign the affairs of the bank to one of their number, Winston Jones. Half an hour afterwards the offer of a loan of \$150,000 was received, but it came too late, as the assignment had been recorded. The Bank of Mobile has weathered every financial storm in the past sixty-five years, and was regarded as strong as the State.

INDIANA.—Among the failures of July, this State has had her share. At Indianapolis the banking firm of Fletcher & Sharpe closed its doors on July 15, and Harrison's Bank on the 17th. The failure of Fletcher & Sharpe, the oldest banking concern in the city, was totally unexpected, its members being rated among the most wealthy and conservative of business men. For many years Calvin Fletcher was president and Thomas H. Sharpe cashier of the Indianapolis branch of the State Bank of Indiana, and when its charter expired Messrs. Fletcher and Sharpe formed a partnership, under the name of the Indianapolis Branch Banking Company. This was about twenty-six years ago. The name was afterwards changed to Fletcher & Sharpe, and after the death of Calvin Fletcher his interest was represented by Ingram and Albert Fletcher. Stoughton A. Fletcher was afterward taken into partnership. Until about eighteen months ago, when the law was changed, all private banks were required to make a semi-annual statement to the Collector of Internal Revenue for taxation. The last statement made by Fletcher & Sharpe for the last six months ending November 30, 1882, showed a capital of \$200,000, and an average monthly deposit of \$1,700,500. The bank did a very large business with country banks and merchants and stock and grain dealers. The supposition is that the failure is a bad one. A run ensued upon some of the other banks, but only that of A. & J. C. S. Harrison succumbed. The developments following this failure have been such as to provoke very unfavorable comment. Judge Robert N. Lamb was, on July 19, appointed receiver. The bills receivable in his hands are estimated at less than \$3,000 in value, while the cash assets amount to \$119. In April the bank's statement for taxation showed assets of \$566,959, and the firm was credited with real estate to the amount of \$71,000. The deposits shown by the same report were \$598,729. During the run on the bank \$132,000 was paid out, which reduced the liabilities to about \$466,000.

John C. S. Harrison is the receiver of the Indiana Banking Company which closed its doors in August, 1883. There is every reason to fear that the assets of that institution are in such shape as to add further to the complications. An order for the arrest of Harrison was issued July 29.

The Richmond National Bank closed its doors on July 27, and A. D. Lynch, of Indianapolis, was appointed receiver by the Comptroller. This bank was the oldest in Richmond, and its credit has always been excellent, but unable to realize on its securities, suspension became inevitable. Its resources are stated as \$602,500, not including unavailable assets, and its liabilities \$369,000. The latter were reduced within twenty-four hours to \$188,000, through settlements with large depositors by giving them notes which had been discounted.

Mr. Charles F. Coffin, the president, is one of the oldest bankers in the State, and has always been highly respected as a man of integrity and ability. But even his personal appeals for money to stem the crisis were unavailing at such a time.

MISSISSIPPI.—One of the oldest institutions in the State, Green's Bank, at Jackson, suspended on July 21, and upon the petition of Joshua Green, the principal stockholder, J. L. Power, of Jackson, was appointed receiver. Efforts had been made a few days previously to obtain a loan of \$25,000 on \$400,000 of collateral, but they were unsuccessful, and an assignment was inevitable. At a meeting of the creditors, held July 26, the receiver presented a statement, showing total assets of \$620,000, and liabilities, \$455,255, the excess of good assets being \$164,745, in addition to which there are doubtful notes and accounts amounting to \$109,890. A resolution was submitted, proposing a plan for the resumption of the bank. The meeting was harmonious, and it is believed that creditors will be paid in full, with interest.

NEW YORK.—The private banking house of F. G. Hall, Elmira, closed its doors at noon on July 21. The inability to realize on real estate and securities was given as the cause. The bank carried about \$100,000 deposits of business men, laboring men and farmers. The amount of the liabilities has since been stated as very much larger. Hall refused to make an assignment. Settlement has been made with some of his creditors by giving them real estate in return for money deposited, but at such valuations that much dissatisfaction has ensued.

OHIO.—The business community of Cleveland were startled on July 11, by the suspension of Everett & Wedell, the oldest private banking house in that city. Inability to realize immediately upon securities compelled their stoppage, which was largely caused by the shrinking of securities and the withdrawal of deposits to the extent of \$600,000 since January 1. Their assets are said to be over \$3,000,000, and liabilities about \$1,000,000. Other banks in the city offered them \$100,000, to tide them over, but it was considered advisable to suspend, notwithstanding that their property is ample to satisfy all claims.

Dayton.—Mr. Winslow S. Phelps, for seventeen years cashier of the Dayton National Bank, has resigned, and will retire from business. Mr. James Martin, long a teller in the same bank, has been elected cashier, to succeed Mr. Phelps. The Dayton banks have always been among the best managed in the country, and the careful, conservative course of their officers and directors may well be emulated elsewhere.

RHODE ISLAND.—The banking firm of Clinton R. Weeden & Co., at Providence, suspended on July 5, and made an assignment. At a meeting of the creditors, on July 24, Counsellor William W. Douglas, one of the assignees, presented a statement showing gross liabilities, nominal, \$654,476.28; gross assets, nominal, \$596,964.02; unsecured liabilities, \$270,659.17; estimated available assets, \$128,960. It was estimated that the estate would probably realize forty-seven per cent. A committee of three creditors was appointed to confer with the assignees and make any examination they might choose. The sentiment of the meeting appeared favorable to the firm and to its continuance in business.

CANADIAN BANK OF COMMERCE.—The seventeenth annual meeting of this bank was held in Toronto, on July 8th. The report showed the following result of the business of the bank for the year ending June 21: Balance to credit of profit and loss, June, 1883, \$67,550.90; profits of year, after deducting expenses, interest accrued on deposits and providing for bad and doubtful debts, \$635,919.65; total, \$703,470.55, which has been disposed of as follows: Dividends (eight per cent.), \$480,000; carried to Rest account, \$100,000; placed at credit of Contingent fund account, \$75,000. Balance at credit of Profit and loss account, \$48,470.55. The Rest is now \$2,000,000. A year ago, with a highly favorable exhibit, the directors said in their report: "Should the prosperity experienced in different branches of industry for some time past be followed by a period of depression, of which there are already some indications in financial circles, the wisdom of this policy [of safety rather than large profits] will then become more apparent." The prudence and sagacity of the directors of this bank have been clearly shown by the events which followed.

IMPERIAL BANK OF CANADA.—The ninth annual general meeting was held at Toronto, on July 2d. The report showed net profits (after writing off all losses) of \$143,102.63. Two dividends, each four per cent., have been made, and the sum of \$30,000 carried to Rest account, making that account \$680,000. The *Toronto Journal of Commerce* remarks that "the report of the Imperial Bank seems to have given full satisfaction to the shareholders. The conservative policy initiated at an early stage has been steadily persevered in. The Rest has been invested in Government and municipal securities, which, although they may not yield the same profit, place it out of the reach of the hazards of commerce. The capital has not been increased and it is almost the only bank where stock is held almost entirely by *bona fide* investors."

**DEATH OF AN INGENIOUS BANK THIEF.**—Early in 1882 the First National Bank of Elizabeth, New Jersey, found its accounts going wrong. Almost every night the books failed to balance by sums ranging from \$50 to \$150. The directors speedily reached the conclusion that some of the clerks or officials were embezzling on a small scale. The embezzlement was traced to one desk where the money-drawers were. The clerks in charge were notified of the discrepancies and warned. They protested their innocence and turned detectives themselves. The thief could not be discovered. Suspicion rested so heavily on one clerk, however, that he was discharged. His discharge did not stop the thefts. His successor fell under the same suspicion, and finally resigned. The cashier grew so worried over the continued embezzlements that he talked of resigning. Finally one of the clerks determined to ferret out the robber. He watched the desk in question all one day, but discovered nothing until afternoon, when he suddenly saw a \$10 bill slowly disappear out of sight. Attached to the bill was a piece of shoemaker's wax, a sinker of lead, and an ordinary fishing-line. The desk was in an obscure part of the room, and the bill was quickly drawn up to the ceiling through a hole. Watching until he saw another bill disappear, the clerk then rushed up stairs to the room overhead. There he found the janitor, George W. Bennett, lying on the floor and working his line and sinker. He was arrested, and confessed that he had been stealing for a number of weeks. He had spent nearly all he stole. Bennett was sentenced to the State prison Nov. 11, 1882, and there he died in July of consumption.

### OBITUARY.

**CHARLES F. HUNTER**, for twenty-seven years president of the People's Bank of New York, died on July 19. Mr. Hunter was born in Sullivan County, N. Y., in 1819. He began his business life as a clerk in a retail dry goods store in this city, and by his capacity and intelligence was enabled to open a store of his own at the age of twenty-one years. After a few years he engaged in the dry goods jobbing business, in the firm of Hunter, Buckley & Co., continuing in it until 1857, when Mr. Hunter, having amassed a fortune, retired from business. The panic of that year having affected its interests, Mr. Hunter was earnestly solicited to accept the presidency of the People's Bank, which he did with the intention of withdrawing when matters had become settled. But his devotion to the bank's prosperity induced him to continue in the office, until his health gave way under many years' close application.

**WILLIAM A. FALLS**, formerly President of the Corn Exchange Bank, died at Warwick, N. Y., on July 30th. Mr. Falls was born in New York City in November, 1825. After he was graduated from Columbia College he entered the Tradesmen's National Bank as clerk, his father being its President. From there he went to the Mercantile Bank as second teller. The Corn Exchange Bank was started February 1, 1853, and Mr. Falls became its teller, and in 1863, cashier. In 1871 he was elected President, retaining this office until 1883, when he resigned, his health demanding retirement from active business. Mr. Falls was a director of the Connecticut Valley Railroad. He was methodical, practical and studious, and much respected as a man and a banker.

**HENRY CLAY HIESTAND**, a well-known banker of Eaton, Ohio, died in that town on July 5, in his fifty-second year. Mr. Hiestand was born in Montgomery County, Ohio, in 1832. He began his banking experience as teller in the Dayton Bank. In 1853 he was appointed cashier of the Preble County Branch of the State Bank of Ohio, at Eaton, and remained in that position until 1864, when, the institution ceasing to exist, he became one of the organizers of the First National Bank of Eaton, and was for four years its cashier. He then spent some years in travel, and in 1873, opened the Preble County Bank under the firm name of H. C. Hiestand & Co. He left his place in the bank last spring on account of failing health. The community has lost in Mr. Hiestand a highly esteemed member.

**Situation Wanted.**—As Cashier or Teller in a Bank or Trust Company. Fourteen years' experience as Cashier. Unquestionable references.—CLAUDE A. MITCHELL, Bradford, Pa.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from July No., page 71.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
DAK....	Menno.....	Menno Bank (C. S. Carr & Co.)	.....
" ..	Scotland.....	Bank of Scotland.....	American Exch. Nat'l Bank.
		Geo. M. Gleason, <i>Pr.</i>	T. O. Bogert, <i>Cas.</i>
FLA....	Palatka.....	First National Bank.....	First National Bank.
	\$ 50,000	Wm. J. Winegar, <i>Pr.</i>	Harry G. Payne, <i>Cas.</i>
ILL....	Peoria.....	Central National Bank... Imp. & Traders' National Bank.	
	\$ 145,000	M. Kingman, <i>Pr.</i>	Benj. F. Blossom, <i>Cas.</i>
IOWA..	Corydon.....	Farmers & Merchants' B'k..	Chemical National Bank.
	\$ 60,000	Wm. E. Hughes, <i>Pr.</i>	Jas. A. Harper, <i>Cas.</i>
" ..	Grundy Centre.	First National Bank.....	Corbin Banking Co.
	\$ 50,000	George Wells, <i>Pr.</i>	Chris. C. Schuler, <i>Cas.</i>
" ..	Ireton.....	Bank of Ireton (Wm. Cross & Co.)	Opdyke & Co.
" ..	Panora.....	Guthrie Co. Nat'l Bank..	Third National Bank.
	\$ 50,000	Geo. H. Moore, <i>Pr.</i>	L. J. Pentecost, <i>Cas.</i>
" ..	Williamsburgh.	Williamsburgh Sav. B'k..	.....
		M. J. Kelly, <i>Pr.</i>	John Hughes, Jr., <i>Tr.</i>
KAN....	Beloit.....	First National Bank.....	Chase National Bank.
	\$ 50,000	Melvin S. Atwood, <i>Pr.</i>	W. S. Search, <i>Cas.</i>
" ..	Bennington....	Bank of Bennington.....	Kountze Bros.
		C. Nelson, <i>Pr.</i>	A. Gilbert, <i>Cas.</i>
" ..	Girard.....	First National Bank.....	Chase Nat'l Bank.
	\$ 50,000	J. D. Parker, <i>Pr.</i>	J. T. Leonard, <i>Cas.</i>
" ..	Oxford.....	Farm. & Merchants' B'k..	National Park Bank.
		James Brewster, <i>Pr.</i>	P. C. Kirkland, <i>Cas.</i>
" ..	Winfield.....	First National Bank.....	Gilman, Son & Co.
	\$ 50,000	M. L. Read, <i>Pr.</i>	W. C. Robinson, <i>Cas.</i>
MAINE..	Gardiner.....	Merchants' Nat'l Bank....	.....
	\$ 100,000	David Dennis, <i>Pr.</i>	H. Farrington, <i>Cas.</i>
MICH..	Ithaca.....	First National Bank.....	First National Bank.
	\$ 50,000	Robert M. Steele, <i>Pr.</i>	.....
" ..	Mt. Pleasant...	First National Bank.....	Fourth National Bank.
	\$ 50,000	Robert M. Steele, <i>Pr.</i>	D. S. Partridge, <i>Cas.</i>
" ..	West Branch...	Ellis & French.....	.....
MINN..	Winona.....	National B'k of Winona..	.....
	\$ 100,000	C. L. Porter, <i>Pr.</i>	E. D. Hulbert, <i>Cas.</i>
NEB....	Fairmont.....	First National Bank.....	National Bank of Commerce.
	\$ 50,000	J. O. Chase, <i>Pr.</i>	Irvin B. Chase, <i>Cas.</i>
" ..	Norfolk.....	Farmers' Bank.....	Kountze Bros.
		Geo. L. Iles, <i>Pr.</i>	.....
N. Mex.	Albuquerque...	Albuquerque Nat'l B'k....	First National Bank.
	\$ 50,000	Louis Huning, <i>Pr.</i>	E. H. Smith, <i>Act. Cas.</i>
OHIO...	Eaton.....	Farm. & Citizens' Bank..	.....
PENN...	Ambler.....	First National Bank.....	.....
	\$ 55,000	Benj. P. Wertsner, <i>Pr.</i>	John J. Houghton, <i>Cas.</i>
S. C....	Marion.....	Bank of Marion.....	Commercial National Bank.
		G. A. Norwood, <i>Pr.</i>	W. H. Cross, <i>Cas.</i>
TENN..	Nashville.....	Commercial Nat'l Bank..	.....
	\$ 200,000	M. A. Spurr, <i>Pr.</i>	F. Porterfield, <i>Cas.</i>
TEX....	Fort Worth....	State National Bank.....	.....
	\$ 300,000	W. M. Harrison, <i>Pr.</i>	A. R. Smith, <i>Cas.</i>
" ..	Gainesville...	Red River Nat'l Bank....	.....
	\$ 100,000	C. C. Potter, <i>V. Pr.</i>	C. R. Smith, <i>Cas.</i>
" ..	Waxahachie...	Citizens' Nat'l Bank.....	National Park Bank.
	\$ 100,000	W. H. Getzendaner, <i>Pr.</i>	T. A. Ferris, <i>Cas.</i>
" ..	Hempstead....	James A. Felker ( <i>Exch.</i> )	.....
" ..	Temple.....	First National Bank.....	S. M. Swenson & Sons.
	\$ 50,000	F. F. Downs, <i>Pr.</i>	F. E. Sanford, <i>Cas.</i>
W. VA..	Alderson.....	Greenbrier Valley Bank..	.....
CANADA	Durham.....	Central Bank.....	D. Jackson, Jr., <i>Mgr.</i>
" ..	Hagersville...	John Cowan.....	Imperial Bank of Canada.
" ..	Ingersoll.....	B'k of London in Canada.	.....
" ..	Petrolia.....	B'k of London in Canada.	.....
" ..	Tilsonburg....	Western B'k of Canada.	Arthur Guy, <i>Mgr.</i>





	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
PENN...	City Nat'l Bank, Philadelphia..	J. Kisterbock, Jr., <i>Pr.</i>	J. Baird.
"	.. Third Nat'l Bank, Pittsburgh..	Ogden Russell, <i>Ass't C.</i>	.....
"	.. City Nat'l B'k, Susquehanna...	Chas. Schlager, <i>V. Pr.</i>	.....
R. I....	Phenix National Bank, Phenix.	Daniel Babcock, <i>V. Pr.</i>	.....
"	.. Atlantic Nat'l B'k, Providence.	Wm. R. Greene, <i>Cas.</i>	H. S. Mansfield.
"	.. Rhode Island Hospital Trust	Wm. H. Latham, <i>V. Pr.</i>	.....
"	.. Co., Providence.	Edward S. Clarke, <i>Sec.</i>	H. J. Wells.
TENN...	Second Nat'l Bank, Lebanon...	S. R. Williams, <i>Pr.</i>	J. A. Lester.
"	.. Commercial N. B., Nashville...	Jos. H. Thompson, <i>V. Pr.</i>	.....
TEX...	First Nat'l Bank, Greenville..	J. D. Lasater, <i>Pr.</i>	T. H. King.
"	.. Hill Co. National Bank,	T. H. King, <i>Cas.</i>	G. M. Oneal.
"	.. Hillsboro.	W. H. Bush, <i>V. Pr.</i>	.....
"	.. First National Bank, Montague.	A. B. Smith, <i>V. Pr.</i>	.....
"	.. Traders' Nat'l B'k, San Antonio.	T. C. Phelps, <i>Ass't Cas.</i>	.....
"	.. Waco National Bank, Waco...	John H. Stephens, <i>V. Pr.</i>	.....
"	.. Citizens' Nat'l B'k, Waxahachie.	J. W. Glass, <i>V. Pr.</i>	.....
"	.. Panhandle N.B., Wichita Falls.	J. W. Mann, <i>Pr.</i>	Wm. B. Trice.*
"	.. Citizens' Nat'l B'k, Waxahachie.	J. W. Ferris, <i>V. Pr.</i>	.....
VA.....	Border Grange Bank Danville.	W. A. Knott, <i>V. Pr.</i>	.....
WAS.	T. Merchants' Nat'l B'k, Tacoma..	E. B. Withers <i>Pr.</i>	Geo. W. Price.
		G. F. Orchard, <i>V. Pr.</i>	.....

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from July No., page 75.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3212	Citizens' National Bank..... Waxahachie, TEX.	W. H. Getzdaner,	T. A. Ferris,	\$ 100,000
3213	Exchange National Bank..... El Dorado, KAN.	A. L. Redden,	H. H. Gardner,	50,000
3214	Central National Bank..... Peoria, ILLS.	Martin Kingman,	Benj. F. Blossom,	200,000
3215	First National Bank..... Mt. Pleasant, MICH.	Robert M. Steel,	D. S. Partridge,	50,000
3216	First National Bank..... Girard, KAN.	John D. Barker,	Jos. T. Leonard,	50,000
3217	First National Bank..... Ithaca, MICH.	Robert M. Steel,	.....	50,000
3218	First National Bank..... Winfield, KAN.	M. L. Read,	W. C. Robinson,	50,000
3219	Merchants' National Bank..... Gardiner, MAINE.	David Dennis,	Henry Farrington,	100,000
3220	First National Bank..... Ambler, PA.	Benj. P. Wertsner,	John J. Houghton,	55,000
3221	State National Bank..... Fort Worth, TEX.	W. M. Harrison,	A. B. Smith,	300,000
3222	Albuquerque National Bank..... Albuquerque, N. MEX.	Louis Huning,	Edmund H. Smith, <i>Act'g</i> ,	50,000
3223	First National Bank..... Palatka, FLA.	W. J. Winegar,	Harry G. Payne,	50,000
3224	National Bank of..... Winona, MINN.	L. C. Porter,	E. D. Hulbert,	100,000
3225	First National Bank..... Grundy Centre, IOWA.	Geo. Wells,	Chris. C. Shuler,	50,000
3226	Guthrie Co. National Bank..... Panora, IOWA.	Geo. H. Moore,	L. J. Pentecost,	50,000
3227	First National Bank..... Temple, TEX.	F. F. Downs,	F. E. Sanford,	50,000
3228	Commercial National Bank..... Nashville, TENN.	M. A. Spurr,	F. Porterfield,	200,000
3229	Red River National Bank..... Gainesville, TEX.	C. C. Potter, <i>V. Pr.</i> ,	C. R. Smith,	100,000
3230	First National Bank..... Fairmont, NEB.	J. O. Chase,	Irvin B. Chase,	50,000
3231	First National Bank..... Beloit, KAN.	M. S. Atwood,	Wm. S. Search,	50,000

## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from July No., page 74.)*

N. Y. CITY.....	A. Dyett & Co.; suspended July 8.
" ".....	DeWolf & Swan; suspended July 28.
" ".....	Eleventh Ward Sav'gs B'k; gone into voluntary liquidation.
" ".....	May & King; dissolved July 5.
ALA.... Mobile.....	Bank of Mobile; assigned July 8 to Winston Jones.
COL.... Georgetown.....	Merchants' Bank; closed business July 1.
" .. Golden.....	F. E. Everett; suspended.
DAK.... Bridgewater.....	(Krause & Davis), McCook Co. Bank; now Davis & Roberts.
" .. Forestburgh.....	Forestburgh Bank (F. W. Thaxter); out of banking business.
" .. Scotland.....	Gale & Bogert; now Scotland Bank.
FLA.... Ocala.....	H. P. Robinson & Bros.; assigned July 23.
" .. Palatka.....	Wm. J. Winegar & Co.; now First National Bank.
GA.... Savannah.....	Haines & Schley; now Haines & Daniels.
ILL.... Belvidere.....	Yount, Lawrence & Co.; now Second National Bank.
" .. Murphysboro.....	Miners' Savings B'k (W. S. Murphy); reported failed July 8.
" .. Peoria.....	Farmers' B'k (Kingman, Blossom & Co.); now Central N. B.
IND.... Brazil.....	Commercial Bank; suspended July 20.
" .. Indianapolis.....	Fletcher & Sharpe; failed July 15. Receiver appointed.
" .. ".....	Harrison's Bank; suspended July 17. Receiver appointed.
" .. Richmond.....	Richmond National Bank; suspended July 21.
IOWA.... Grundy Centre.....	Grundy Co. Bank; now First National Bank.
" .. Panora.....	Guthrie Co. Bank; now Guthrie Co. National Bank.
" .. West Side.....	Exchange Bank (C. D. Miller); reported assigned.
KAN.... Beattie.....	J. J. Sheldon; succeeded by Bank of Beattie.
" .. Beloit.....	M. S. Atwood; now First National Bank.
" .. El Dorado.....	Exchange Bank; now Exchange National Bank.
" .. Girard.....	Citizens' Bank; now First National Bank.
" .. Sterling.....	Bank of Sterling; now First National Bank.
" .. Winfield.....	M. L. Read's Bank; now First National Bank.
MASS.... Boston.....	Chase & Barstow; Chas. M. Baker admitted.
" .. Worcester.....	Rice & Whiting; now Geo. T. Rice & Co.
MICH.... Detroit.....	Fisher & Preston; now Exchange Bank.
" .. Ithaca.....	Steel, Turck & Co.; now First National Bank.
" .. Kalamazoo.....	Kalamazoo City Bank; now City National Bank.
" .. ".....	E. J. Phelps & Co.; now Kalamazoo National Bank.
" .. Mt. Pleasant.....	Hicks, Bennett & Co.; now First National Bank.
" .. Ovid.....	Sowers & White; suspended July 17.
" .. Oxford.....	Bank of Oxford; now Oxford Savings Bank.
MINN.... Janesville.....	O. P. Smith; succeeded by George Buckman.
" .. Lanesboro.....	Bank of Lanesboro; sold out to Scanlan & Wall.
" .. Winona.....	First N. B.; charter expired; succeeded by N. B. of Winona.
MISS.... Jackson.....	Green's B'k; suspended. J. L. Power appointed receiver.
" .. Kosciusko.....	C. C. Kelly & Co.; now C. C. Kelly.
NEB.... Fairmont.....	Fillmore County Bank; now First National Bank.
N. J.... Gloucester City.....	Gloucester City Savings Institution; closed July 4.
N. MEX. Las Cruces.....	Dona Ana Co. B'k (Reynolds & Co.); now Evans Bros. props.
" .. Raton.....	Raton Bank (S. T. Collins & Co.); now Chappell & Officer.
N. Y.... Canisteo.....	Bank of Canisteo (M. & L. Allison); assigned July 22.
" .. Elmira.....	Francis G. Hall; suspended July 21.
OHIO.... Chagrin Falls.....	E. B. Pratt; reported assigned July 5.
" .. Cleveland.....	Everett & Weddell; suspended July 8.
" .. Eaton.....	First Nat'l Bank; succeeded by Farmers & Citizens' Bank.
" .. Hicksville.....	Hicksville Bank; assigned to W. D. Wilson July 17.
OREGON.... Portland.....	Bank of Oregon; consolidated with Portland National Bank.
" .. Salem.....	Ladd & Bush dissolved; A. Bush continues.
PENN.... Grove City.....	Pine Grove Bank (Gealy Bros.); suspended July 25.
" .. New Milford.....	Savings Bank of New Milford (S. B. Chase & Co.) suspended.
" .. Plymouth.....	Plymouth Savings Bank; suspended July 2.
" .. St. Petersburg.....	St. Petersburg Savings Bank; suspended July 5.
" .. Stoneboro.....	Stoneboro Bank (Gealy Bros.); suspended July 25.
R. I.... Providence.....	Clinton R. Weeden & Co.; assigned July 5.
TEX.... Decatur.....	Decatur Bank; succeeded by the First National Bank.
" .. Temple.....	Bell Co. Bank (Downs Bros.); now First National Bank.
WIS.... Manitowoc.....	T. C. Shove & Co.; now T. C. Shove Banking Co.
CANADA.... Hagersville.....	Hagersville Banking Co.; now John Cowan.
" .. Toronto.....	Forbes & Lowsbrough; suspended.

# FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, JULY, 1884.

Opening, Highest, Lowest and Closing Prices of Stocks and Bonds in July.														
GOVERNMENTS.					RAILROAD STOCKS.					MISCELLANEOUS.				
Interest Periods.	Open- ing.	High- est.	Low- est.	Clos- ing.	Open- ing.	High- est.	Low- est.	Clos- ing.	Open- ing.	High- est.	Low- est.	Clos- ing.	Open- ing.	
Coupons } Quarterly } Mar. } Jan. } Feb. } Jan. } & July.	111	112½	111	112½	8	11½	7½	11½	75	83	68½	83	Oregon Navigation.....	
	118	120½	118	120½	4	5½	3½	5½	9½	14½	14½	14½	Oregon & Trans-Continental.....	
	118½	120½	118½	120½	—	8½	6½	8½	—	21½	21½	21½	Ohio Central.....	
	99½	100½	99½	100	13	17½	12	17½	40½	48½	39½	46½	Pacific Mail.....	
	123	126	123	124	25½	34½	25	34½	25½	29½	29½	29½	Philadelphia & Reading.....	
	—	—	—	—	—	9	—	—	98	110	96	110	Pullman Palace Car Co.....	
	—	—	—	—	20	34	20	34	9	15	8½	15	Richmond & Danville.....	
	—	—	—	—	114½	130	112½	130	38	33	32	—	Richmond & Allegheny.....	
	—	—	—	—	10½	15½	10½	15½	12	19½	13	—	Richmond & West Point.....	
	—	—	—	—	26	37½	23½	37½	4	4½	1½	—	Rochester & Pittsburgh.....	
Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. }	—	—	—	—	73½	88½	70½	88½	20	26½	17	35½	St. Louis, Alton and T. H.....	
	—	—	—	—	8	13½	6	13½	—	23	70	—	—	Do, pref.....
	—	—	—	—	69	66	66	66	—	21	14	—	—	St. Louis & San Fran.....
	—	—	—	—	54½	73	54	73	25	34½	34	—	—	Do, pref.....
	—	—	—	—	—	—	—	—	83½	97½	83	97	St. Paul, Minneap. & Man.....	
	—	—	—	—	117	125	117	125	—	8½	12½	7	13½	Texas & Pacific.....
	—	—	—	—	97½	100	92½	96½	31½	48½	28½	48½	—	Union Pacific.....
	—	—	—	—	12	16	11½	19½	56½	62	53½	63	—	Western Union Telegraph.....
	—	—	—	—	60	60	53	60	5	16½	11½	16½	—	Wabash Pacific.....
	—	—	—	—	—	—	—	—	—	—	—	—	—	Do, pref.....
Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. }	—	—	—	—	—	88	88	91	—	127½	127	—	Express—Adams.....	
	—	—	—	—	—	91	85½	91	—	92	88	—	—	American.....
	—	—	—	—	—	30	24	30	—	52½	50	—	—	United States.....
	—	—	—	—	—	15½	9	15½	100	103	100	103	—	Wells-Fargo.....
	—	—	—	—	—	11½	11	11½	82	92	81	91	—	Ches. & Ohio, series B.....
	—	—	—	—	—	31½	22	31½	87	99	85	—	—	Denver & Rio Grande 1st.....
	—	—	—	—	11	11	5	11	95	103½	98	103½	—	Lehigh & W. B. con. ass.....
	—	—	—	—	5½	10½	9	10½	99	105½	93½	—	—	Metropolitan Elevated 1st.....
	—	—	—	—	9½	111½	97½	111½	94	105	93	—	—	Mo., K. & T. con. ass.....
	—	—	—	—	98	107½	97½	107½	93	100	93	93	93	Mo., K. & Texas ad.....
Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. } Do. }	—	—	—	—	53½	86	53½	86	47½	63	46½	63	N. Y., Chi. & St. L. 1st.....	
	—	—	—	—	25½	89½	22½	89½	40½	40	38½	39½	39½	N. Y., Elevated 1st.....
	—	—	—	—	25	84	23	84	110	108	106½	108	106½	N. Y., L. E. & W. 2d con.....
	—	—	—	—	42½	53	39	53	104½	103	103	103	103	N. Y., W. Shore & B. 1st.....
	—	—	—	—	8	15½	8	15½	17	21	17	21	21	Union Pacific 1st.....
	—	—	—	—	44	44	44	44	104½	103	103	103	103	Union Pacific 2d.....
	—	—	—	—	8½	11	8½	11	—	—	—	—	—	Union Pacific S. F. d.....
	—	—	—	—	17	21	17	21	—	—	—	—	—	—
	—	—	—	—	45½	64	45½	64	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—	—	—	—

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The depression continues. There have been heavy and disastrous failures, while there has been a more general shutting down or reduction of wages in July than in any month this year. Banks and financial circles have recovered from the panic of May, in which the continued heavy liquidation of June left them. This has been due to a reaction of over ten points in the stock market, and a partial restoration of confidence caused thereby, and by the assurance of abundant crops throughout the country. The most noteworthy failures during the month have occurred in the dry-goods trade. Of late years, as explained elsewhere, many merchants have depended very largely upon note-brokers to raise money for them, but in these times they have been unable to obtain the usual supply, as the banks were unwilling, for good reasons, to buy as freely as they had been doing. Large quantities of dry-goods paper will mature in August when, it is feared that renewed trouble may occur, unless the promise of a good fall trade on good crops enables them to get help to tide over. Goods are low—indeed they are as cheap as they can be produced at present prices of raw material and labor. This should obviate the risk of any further material decline, and make textiles safe for banks to advance upon when the holders are not financially involved. The banks are assisting their regular dealers, in all trades, to the utmost, and are wise enough to see that both parties are alike interested by such a course. Long credits on the pernicious system of dating bills four and six months ahead, with extensions on that, were the cause of the suspensions in this trade, together with dull business. It was not recent shrinkage in goods. Hence, when the finances of this trade get straightened out, it should be in a healthy condition and ready for improvement when business revives.

The curtailment of production both in woolen and cotton goods, as well as in iron and iron manufactures, should prevent any further accumulations and stop, or at least check, forced sales. Of course restricted production entails reduced consumption on the part of both employer and employed, as well as on the part of those persons and interests depending upon them. This embraces the manufacturing districts. But, on the other hand, good crops will enable the agricultural sections to buy more freely, and thus preserve an equilibrium until the increased activity thus caused in the farming sections shall react on the manufacturing districts, set idle mills in operation, give labor employment, and restore all sections of the country to normal consumption again. This, with low prices for good crops, it is hoped will do much to restore our normal activity in all branches of trade, transportation and industry.

It is true we had good crops last year and the year before, which did not prevent the heavy shrinkage that followed them. But conditions are different. It took the good crops of 1882 to pay the losses from the bad crops of 1881, and left no surplus over after paying the cost of living in 1882. The good crops of 1883 were swallowed up in the shrinkage of values of everything,

caused first by liquidation following the short crops of 1881, and second, by the collapse of speculation, and of the inflated values of all classes of speculative and investment property. Hence, this year's crops are the first that have not been thrown into this financial quagmire to make a solid bottom on which to build up prosperity again. It is true there are spots where bottom may not yet have been found. But, as a rule, we are now on a good legitimate basis for everything, and recovery must set in when the returns from this year's crops begin to find their way into general circulation. Once started on the up grade to good times, renewals and repairs will begin, after these three years of economy and make-shifts, during which the supplies for human wants have been reduced to the minimum. This will accelerate the recovery in legitimate trade and advance prices, until speculation shall revive under this stimulus, with a surplus of money over requirements to speculate with. This will be the next turn in the wheel of fortune, unless some unexpected damage to the crops yet occurs, or unexpected financial trouble or plague shall upset these favorable conditions for improvement in the near future. Nevertheless, the recovery is not likely to be rapid, nor can it be complete until the large number of new railroad enterprises begin to pay.

This covers the general situation in finance, commerce, industry and agriculture in this country, while the conditions in other countries are not materially changed. Should they become so, through damage to their crops, during this critical period of harvest, as there is some danger of just now, our markets would doubtless go on a Bull speculative rampage that would change the whole situation from low to high prices and bring gold from Europe again. On the other hand, the ravages of cholera in France cannot extend much longer or further without seriously affecting commerce between this country and Europe, by checking our exports and bringing our import trade to a standstill. It has already had an unfavorable effect, but not a serious one. The danger of epidemic is not passed, although it is not imminent in this country, but it has affected transportation down the Mississippi River and from gulf ports, as well as with the West Indies. This has checked southern trade to some extent, and when the fear is removed it will revive, although the prospects of the cotton crop in some sections, especially in Texas, are not as good as an average year, owing to drought, while the season is two to three weeks late.

The cattle plague in that State is also a drawback upon its great prosperity of a few years past. It has even extended into Kansas, from which it has been imported into Chicago, where it has proved almost universally fatal to whole herds wherever attacked. Serious consequences are threatened if not checked at once.

The wet weather of the last week in July also caused apprehensions in the Northwest, as the spring wheat harvest was just beginning. Indeed considerable damage has been reported. But these reports are always so exaggerated, and the rains are thus far of so short duration, that it is not safe to modify the excellent outlook to any great extent as yet.

The chief improvement in the stock market has not been in the stocks of honestly managed roads, but the reverse; showing the advance to have been speculative and chiefly manipulated by cliques who scared the shorts to cover on the prospects of large crops and increased earnings this month and

next. The only really investment stocks now are those managed by men who do not run their roads for Wall Street but for the stockholders. This leaves the majority of the old favorites to the professional speculators and the manipulators themselves. There have been a few investment and outside orders in the market of late for the really good (by which is meant honestly managed) stocks. But they are not large nor general. The public is by no means in the market, and does not act like coming in. Money has worked easier all the month, and the banks of this city have largely increased their reserves. But the exchanges have been over twenty per cent. less than at the same time last year. Other cities averaged less than twenty per cent. below a year ago. Foreign exchange has not changed materially, and has cut no important figure in the money market. Government bonds weakened at close, on the rumor of another call by the Treasury. Exports of wheat have been larger through July than for two months or more before, at the decline early in the month. That demand stopped this decline, and prices have advanced since then on the inquiry which has followed the enhanced value. The old crop is well exhausted, and the new crop is of exceptionally fine quality and is wanted on the other side. Farmers are disappointed at the low prices, yet are selling quite freely. The crop is estimated to be as large as that of 1882, unless the spring wheat should be damaged by a wet harvest. Corn has been bulled partly with wheat, but chiefly on small stocks and light receipts, although the new crop never promised at this season so universally well as now. Some reports say there is little back in farmers' hands, yet it is regarded as too high, except on a temporary scarcity, which is thought to be all that is probable.

Oats are secured and are an enormous crop. The hay crop is good, though not so large as a year ago, and some has been damaged by wet. The root crops are all looking well so far, and fruit promises well. Dairy products have been plentiful, with good pasturage and limited export demand, until stocks are large and prices low, yet not low enough to keep butter from accumulating as it did a year ago. Cheese has gone into export more freely, as it cannot be held without too much risk. Provisions have been so badly manipulated that speculators are afraid to touch them, and legitimate trade has only bought from hand to mouth waiting for the manipulators to get through. Meantime the supply of hogs at home and abroad is larger than usual, and Europe more independent of this country than in years. Pork is completely cornered at \$24 in Chicago, while the jobbing trade is being supplied at \$14 in small lots. This illustrates the wretched cornering business by which values are upset and trade ruined. But the worst of it is, the banks have loaned the money to make this corner. Another is also threatened in meats, while lard alone of hog products seems to be on its merits. Another big corn crop means another big hog crop; and provisions would seem to be the worst thing on the whole list to bull.

The cotton market has shown a little more strength since the crop has been in doubt, and exporters have reduced the stock here to a moderate limit. But there is not life enough in it to get up any activity or advance worthy of note.

The iron market has been dull and weak, selling below \$18 for pig, while steel rails have fallen below \$30, at which more has been done.

Other markets have shown little life or change, as nobody has any money or pluck left to speculate in them to any extent. The Bulls have been too badly whipped the last year to have any horns left, and prices are generally so low that the Bears are afraid of a trap and dare not sell short.

The advance in stocks and produce for the month is thought to have been too rapid, and even the bulls think there should now be a reaction, although they claim to look for still higher prices. Conservatism is the best policy to pursue till crops are in full movement, and the result visible in the money and other markets.

Since the above was written the threatened damage to the wheat crop of this country has been averted by a return of fine weather for the greater part on both sides of the water. The damage actually done anywhere has been very slight, and it is now safe to calculate that the wheat crop of both Europe and America will be secured in good shape, and above an average in quantity.

The reports of the New York Clearing-house returns compare as follows :

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
July 5...	\$ 292,608,900	\$ 60,851,800	\$ 28,027,000	\$ 290,304,000	\$ 14,437,600	\$ 16,302,800
" 12...	289,817,100	63,612,600	30,128,400	299,552,000	14,470,100	23,853,000
" 19...	238,603,700	72,731,600	31,873,700	304,788,100	14,416,900	28,408,275
" 26...	289,759,200	74,722,700	32,229,800	305,577,500	14,362,700	30,628,125

The Boston bank statement is as follows :

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
July 5.....	\$ 138,562,900	\$ 6,607,000	\$ 3,532,000	\$ 85,223,900	\$ 23,494,500
" 12.....	136,642,500	6,522,100	3,631,800	84,883,600	23,072,900
" 19.....	137,174,000	6,514,400	3,892,700	84,423,700	23,080,200
" 26.....	136,884,800	6,864,100	4,280,800	83,454,600	23,137,200

The Clearing-house exhibit of the Philadelphia banks is as annexed :

1884.	Loans.	Reserves.	Deposits.	Circulation.
July 5.....	\$ 73,123,994	\$ 17,980,136	\$ 64,408,374	\$ 8,259,933
" 12.....	72,227,364	19,078,603	66,408,412	8,250,169
" 19.....	71,960,070	18,939,060	64,130,209	8,192,623
" 26.....	71,887,011	19,607,087	64,695,338	8,119,765

## DEATHS.

FALLS.—On July 30, aged fifty-nine years, WILLIAM A. FALLS, formerly President of the Corn Exchange Bank of New York City.

HIESTAND.—On July 6, H. C. HIESTAND, aged fifty-one years, President of Preble Co. Bank, Eaton, Ohio.

HUNTER.—On July 19, aged sixty-five years, CHAS. F. HUNTER, President of People's Bank, New York City.

PICKRELL.—On July 7, PETER PICKRELL, President of First National Bank, Jackson, Ohio.

WESTERMAN.—On July 20, aged sixty-four years, JAMES WESTERMAN, President of Sharon National Bank, Sharon, Pa.

THE  
**BANKER'S MAGAZINE**  
AND  
*Statistical Register.*

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**THE AMERICAN BANKERS' ASSOCIATION—ITS PAST  
AND FUTURE.**

The annual meeting of the American Bankers' Association, at Saratoga, was both delightful and profitable, and as harmonious as could be desired. Many of the papers read or presented related to practical subjects; they were prepared with care, and possessed permanent value. In due time they will be published, when our readers can themselves decide on their worth.

The attendance was very good, but not so many were present as should have been. Perhaps more would have attended if they could have seen a stronger reason for attending. Those who saw no reason either did not consider the matter at all, or did so too hastily. What then is accomplished by attending these meetings?

First of all, bankers get a better acquaintance with each other. Many of those who are mutually concerned in business, may have never met previous to these meetings. An acquaintance is desirable, for more correct opinions are formed, wrong impressions are removed, inquiries are made which could not be through correspondence, and in many ways bankers get a better knowledge of one another, and by the easiest and most agreeable method that can be employed.

Again, through these meetings sound ideas on banking and kindred subjects are put forth. From the beginning, the influence of the Association has been in favor of healthful and conservative banking. Those who have attended, maintaining different views, have doubtless in many cases modified them when learning of better methods. A banker who stays within his bank year after year is



in danger of getting fixed in his ways, of learning nothing, and of holding views which if once sound and desirable may be so no longer, by reason of a changed condition of things. They are willing to see, but live where they cannot see. The annual meetings of the Association are of much worth to such persons; they get new ideas and impressions, and they return better qualified, consciously or unconsciously, for their duties. The tendency of the times everywhere is toward the formation of societies in all trades, vocations and professions, because of their proved usefulness. A thousand things are learned which would not be acquired in any other way, and ideas which are of no little value.

But while the Association has accomplished much, quite enough to justify the forming of it, we believe that a more important work lies immediately before it. While not losing anything as a social gathering, or as a means of exchanging views between member and member, and gaining a great deal of useful information about men and things, we contend that it should be a more serious body, that it should undertake with more vigor to accomplish certain ends, and that it should thus furnish a more conclusive reason for existing.

The affairs of the Association are committed to an executive committee. No better method of conducting the Association could be devised. But we think that perhaps the committee might select for consideration questions of pressing importance, designate persons to conduct the discussions, notify the members concerning the questions and the proposed course of discussion; and if this were done, the attendance would be larger, the discussions more animated, and the conclusions reached more weighty. If a thousand members assembled annually instead of a hundred, surely the resolves of such a body would be entitled to consideration, and would receive it both by the press and by legislative and other bodies.

But it may be asked are there any questions of enough interest to bankers generally to lead them to assemble for their consideration? We think there are. Is not the question, whether the banks should keep their own reserves or not, of vital interest and importance to them? There are two sides to the question, of course, but suppose it was proposed with the view of reaching a solution, and ultimately of asking legislation on the subject, would not the bankers assemble? Again, may be mentioned the question of clearing country checks. Suppose the bankers were invited to present methods for remedying the evil existing, to be followed by a thorough discussion of the subject, would not this enlist the interest of bankers? Just now the question of single-name paper is prominent, and the keeping of a record of it in the Clearing-houses. Other questions might be mentioned equally practical, and which ought to be regarded of sufficient importance to draw

bankers together to find better methods for conducting their business.

Another subject that might be very appropriately considered is the nature of the Association itself. A great many persons suppose that it is an institution whose members meet annually to concoct schemes for their own personal ends. They regard it as a purely selfish body, having only their own advantage in mind. Now the members know that this conception is utterly wrong; that they are simply trustees and representatives. They are not money kings, but simply the agents of stockholders and depositors, who form two very large and powerful classes in our country. When the Association meets, its members have in view not themselves, but those whom they represent, and whose interests are intimately identified with the prosperity and glory of the entire country. The Association, we repeat has a very distinct work to do in making generally known the true character of the organization.

It also has another specific work to do, namely, to cultivate a spirit of unity among the banks, a clearer realization of their dependence on each other, and the insisting on sounder methods of banking in order to be entitled to aid in time of danger. If a merchant fails in business, this is no indication that his next-door neighbor is on the brink of bankruptcy. But banks by the very nature of their business, are peculiarly exposed to trials and suspicion. Their strength consists in union, and not in trying to demonstrate to the world their separate strength and wisdom. The Association is a fitting agency to cultivate the spirit of union by discussing the principles of banking, and insisting on sounder methods as a basis for co-operation.

Moreover, the Association has an important work before it in the way of educating the persons employed in banks. To succeed in business it is necessary to have a more thorough training than was needed formerly. The day is rapidly passing for acquiring fortunes through luck and accident. Competition is becoming sharper, and the relations of business are more numerous and complicated. A higher order of training will be necessary to succeed in the future. President Gage had some thoughtful words on this subject in his address, and Mr. Odell read an excellent paper on this theme. In a future number we shall consider this subject at length. One thing is clear; it is peculiarly within the province of the Association to undertake the task of rendering a better banking education a possibility to those who desire it.

Has not enough been said to show that the Association has a large work to do? It can become highly useful to its members, to all who are employed in banking institutions, and to the country. In our judgment, the time has come for expanding its work and thus rendering the Association more fruitful.

### WHAT IS THE TREASURY RESERVE?

The amount of gold in the Treasury has fallen to a point which has led many to believe that silver payments cannot long be delayed. There are about seventeen millions of gold in the Treasury in excess of \$100,000, which amount is considered the necessary reserve for the Government to keep. Although this is the view generally maintained with respect to the reserve, it is not entirely correct; and we propose to consider the amount and nature of the "gold reserve," which must be maintained by the Treasury.

The reserve in question is kept to redeem the United States notes. But no statute specifies a fixed amount of gold or silver coin, or gold or silver bullion, which must be kept for the above purpose. Nor is there, in truth, any fund in the Treasury which can be properly called a legal reserve for redeeming these notes except \$95,500,000, which were the proceeds of the sale of bonds by Secretary Sherman in 1878, by the authority of the Resumption Act. Although the Resumption Act contains no specific declaration requiring the proceeds of the sales of bonds therein authorized to be set aside and kept intact as a fund for the redemption of United States notes, yet the Secretaries of the Treasury have held that no part of the above sum of \$95,500,000 can rightly be used for any purpose except to redeem the legal tenders. On the other hand, no Secretary of the Treasury has ever held that any redemption reserve beyond the \$95,500,000 has a legal status except that given to it by the arbitrary will of the Secretary, and therefore the Secretary can reduce the cash balance to \$95,500,000 without violating any law.

Since the Resumption Act went into effect on the first of January, 1879, the Treasury Department has redeemed in gold about \$12,000,000 of United States notes. It is maintained by officers in the Treasury Department that this sum can be deducted from the \$95,500,000, thus reducing the amount of the proceeds of sales of bonds for redemption purposes to about \$83,000,000.

Consequently it is maintained in some quarters that the amount of gold coin and gold bullion owned by the Government can be further reduced from \$117,000,000 to \$83,000,000 in payment of interest, redemption of bonds and settlement of Clearing-house balances without violating any law. Such is the legal status of the so-called resumption reserve, yet it is not likely that Secretary Folger will permit the gold in the Treasury to fall below \$95,500,000. In a communication to the House of Representatives last March, the Secretary, referring to the third section of the Resumption Act, used the following language:

Under that authority this Department has heretofore sold bonds and took coin therefor to the amount of \$95,500,000, and put that sum into the Treasury. This Department has always looked upon the sum of the coin thus obtained as an especial fund to be kept and relied upon as a means of redemption of United States legal tender notes. To be sure, it has never been segregated from the other coin or the other moneys in the Treasury, so that a particular mass could be pointed to as made up of that coin which came from the sale of those bonds; nor has the bookkeeping of the Department distinguished it from the other funds of the Government. But it has never been permitted that the coin in the Treasury should run down below the sum of \$95,500,000. The public utterances of this Department have, I believe, uniformly so spoken.

This is the obligation of the Government with respect to maintaining a reserve to redeem the legal tender notes. Of course, all know that enormous payments are made by the Assistant Treasurer of the United States at New York. The Treasury is a member of the Clearing-house by its own choice, and has bound itself to conform to the rules of the association, one of which is that all balances shall be paid in gold or legal tender notes. It has agreed also to give thirty days' notice of its intention to withdraw. In the event of its withdrawal it would pay all claims upon itself over its counter and receive all its dues in the same way. The *New York Evening Post*, in discussing the subject, says: "Suppose that it should pay silver, gold, and greenbacks indiscriminately, but at its own option, not at the option of the receiver? This would be equivalent, in the estimation of the public, to making all its payments in silver. Consequently, there would be a premium on gold, as regards payments at the Sub-Treasury, measured by the inconvenience of getting Sub-Treasury money converted into 'bankable funds.' But since legal tender notes are redeemable in gold or silver at the Government's option, it would not be practicable for the banks, for any long time, to enforce their own rule, which excludes silver from their holdings. They might, and probably would receive special gold deposits and keep special gold accounts, but they would be compelled to recognize as a dollar that which constitutes the basis of both the greenback and the National bank note. In view of this inevitable result, it is most likely that the banks would anticipate it by rescinding the existing rule and conforming their business to the requirements of the Government, as they did when the legal tender notes were first issued."

Silver payments, however, may be delayed in several ways. First, they may be delayed by paying out the legal tender notes in the Treasury. The Clearing-house rules permit this. Again, gold may be deposited with the Treasury for payment of silver certificates in the South when the cotton crop begins to move, and its importation from abroad is quite probable. Moreover, the danger of passing from a gold standard to a silver standard is so imminent

that many bi-metallists have modified their views, and it is highly probable that action will be taken at the next session of Congress suspending the coinage of silver. December is not far off, and in view of the change in opinion on this subject, there is strong reason for believing that the present policy will be reversed in time to escape from the disaster of changing from a gold to a silver standard.

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### FOREIGN MARKETS.

In former days there was not much occasion for finding an outlet abroad for our manufactures. Our agricultural products long ago increased far beyond the home demand, and an export market for the surplus was found. We have been slower, however, in reaching a corresponding development in manufacturing. The leading manufactures of iron, cotton, wool, leather and other goods, have increased enormously during the last thirty years; nevertheless, the growth in population has extended with such marvelous rapidity that nearly everything made was needed at home. But the time has come when we must look abroad for permanent markets for a portion of our manufactured products, or we must produce less in the future. The improvements in machinery have been so great, and the factories have multiplied so rapidly, that we may regard this phase in our industrial evolution as permanent and not temporary. We must, therefore seek markets which will need our commodities, and from which also can be obtained other things in return.

Where shall we look for these breathing spots for our manufacturers and traders? To a limited extent we can export to many foreign markets, and this we have been doing. It seems strange to send cutlery to Sheffield after importing enormous quantities from that place for a century; nevertheless, the process of making many kinds of cutlery in this country has reached such a stage of perfection that it has been exported even to Sheffield. But the countries of Europe are enormous exporters of a great variety of manufactured productions, and we can hardly look to that field for an outlet. And if we cast our eyes further eastward the same state of things exists. Naturally, Great Britain should furnish India with whatever she needs, and the same thing may be said concerning the adjoining countries. As for Africa, the Europeans are likely to quarrel for it and for its trade in a lively manner. Great Britain has grabbed the southern end, and France the northern end, while Germany is by no means a disinterested spectator, but is longing to pounce on so fair a prize. Italy, too, is looking with wistful eyes across the Mediterranean. With so many nations eagerly

devouring whatever may be obtained from that bone, it is very clear that nothing is left for poor Uncle Samuel. But lying south of us is a great continent whose trade should in a peculiar sense be our own. First of all may be mentioned Mexico. The trade of this country is rapidly increasing, by reason of better modes of communication. There are papers published in Mexico whose principal function is to create enmity between the Mexican and American people. Nevertheless, we are getting more and more of the Mexican trade every year, and with the completion of railroads now building, we may fairly expect to enjoy the larger part of the trade which in former years went to Europe. A railroad is a great civilizer and bond of union; the sea is a kind of barrier between countries which no human skill can remove. Lines of steamers may ply with ever so much regularity, yet they do not form that close union between States and people which is formed through the agency of the railroad. Thus Mexico is likely to become assimilated to our own country, to buy of us, to be interested in our welfare, and we, on the other hand, in the prosperity and up-building of our sister Republic. We need not fear the foreign steamship lines running to Mexico; the railroads, which will soon be stretched into that country from our own, will be more than a match for foreign carriers. We wish the prospect was equally hopeful with respect to the countries lying still further South.

The various countries of South America, on the whole, have made very considerable progress during the past twenty-five or thirty years. Of these, the prosperity of Chili is the most noteworthy. She has pounded Peru pretty thoroughly to pieces, and just now the latter country is not in a condition to trade much. Brazil has grown in might and power, beside developing her industrial condition. The same also is true with respect to the countries lying south of her. Why should not the United States trade more largely with these countries? Of course, the ready answer is, for the most part we have been unable to supply our own home demands, but, as previously remarked, we have permanently passed that point in our industrial development. Recognizing this fact as true, we should no longer hesitate to establish better trade relations with all the South American countries. At present, we import large quantities of coffee from Brazil; why should we not export leather and cotton goods, and other commodities to the country of the Amazon? Certainly Brazil must obtain a supply from some quarter, why not from us?

Our manufacturers should not be slow in answering this question. If they carefully studied into the matter to find the answer, they would learn several things. First of all, to trade with those countries, the proper transportation facilities must be established. We are not very strong believers in government subsidies, yet it

may be questioned whether or not judicious subsidies for maintaining steamship lines with South America would not be justified by the results that would follow. Perhaps in course of time the railway system of Mexico will be extended across the Isthmus further southward, uniting with the Peruvian system, and so on through Chili to a very distant point in the south latitude; but evidently that date is remote. In the meantime we must depend on water transportation. To secure this effectively, government aid is needful. Great Britain and other countries for many years have subsidized steamship lines; why should not our own country, with its plethoric income, do something in this direction, especially when the promise is so rich? Is not a policy of this kind quite as likely to yield a desirable return as some of the recent pension schemes? Would not our country gain much by so doing? Could any mistake be committed in undertaking an experiment of this kind? It is true that the experiments of government subsidies, already tried, were not attended with the success desired, but with the knowledge thus acquired, could not the Government now wisely grant a subsidy for one or more lines to South America that would yield a satisfactory return? In any event, this is the first step toward establishing commercial relations with South America.

In the next place, the American manufacturer must find out what kinds of goods are needed for the South American market. He cannot get up any designs of his own imagining, and send them there expecting that they will be purchased. The foreign manufacturers understand this. They make and sell what is wanted by the people of those countries. They have such agencies and relations established that they keep informed concerning the condition of those markets. But the American manufacturer and trader can do the same thing. Certainly he is quite as smart as his foreign competitor. There is no reason why he should not awaken to the necessity and expediency of the situation. He has been only too slow in this matter. When the Government furnishes its aid, the manufacturer and seller should wisely and vigorously undertake to open up those markets and to maintain them.

If this is not done, the inevitable clearly is, the permanent restriction of the market to American manufacturers. It is not expected that the shadow which has fallen over our country will long continue, but after that has passed away, it would be an unreasonable hope on the part of our manufacturers to make as largely and sell with the same profits as in the past. That day has gone. If the markets of the world are not widened, the American manufacturer must produce less. Even if immigration continues at the wonderful rate of the last ten years, yet our production cannot be increased as it has been without occasioning heavy loss. The

wise policy, therefore, clearly and unmistakably is to establish such relations with the markets of South America as to supply them with everything they need which can be profitably made in our own country. For example, we have been the most successful makers of boots and shoes of any nation in the world. Long ago our machinery for making them was brought to a very high degree of perfection. This enabled us to make fine goods at a very low cost. Nevertheless, the figures show that France exports annually far more boots and shoes to South America than we do. The time has certainly come when this state of affairs should be changed. How long before the American manufacturer and merchant will wake up to the opportunity of enriching himself by so slight an effort?

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### GOVERNMENT SAVINGS BANKS.

The British have two kinds of Savings banks—one old, and the other comparatively new. The old form is that of private trustee Savings banks, but these are strictly confined to receiving money and handing it over to Government officers, who invest it in consols only. The new form (established in 1861) is that of the post office Savings banks, under which the Government itself receives money through the officials of the post offices and invests it in the public debt, but pays to depositors a rate of interest fixed at two and a-half per cent. The deposits in the trustee Savings banks of the whole United Kingdom amount to about \$225,000,000, and are not increasing. The deposits in the post-office banks are of about the same amount, but have all been made within a few years, and are rapidly enlarging. Their increase during the last year was \$15,000,000. Of the post offices in the United Kingdom there are 7,400 which receive deposits, the number of depositors being 3,100,000. In both the trustee and post-office Savings banks, the Government has introduced the feature of investing deposits, if depositors request it, in consols to be purchased for their account, and leaving them to bear the loss or enjoy the gain, as the case may be, of the difference in the price of consols when purchased and their price when sold in order to meet a call for the return of deposits. Investments of this kind amount now to \$10,000,000, having increased one-third within a year. This feature was introduced for the benefit of persons who desired to deposit more money than either the trustee or post-office banks are allowed to receive with an agreement to pay a fixed rate for it.

In addition to receiving deposits, the post-office Savings banks have been for some time authorized to sell insurances on lives, and



also to sell annuities, to commence either immediately or at some future time, as may be preferred by the applicant. Until lately, no insurance on a life could be made for a less sum than £20, and no annuity could be purchased for a less sum than £5. Now, under a new law which came into operation in May, insurances may be made for as small a sum as £5, and annuities as small as £1 may be purchased. In all these ways the British Government encourages thrift on the part of the poorer classes, by giving them the guarantee of its credit for the safety of such sums as they may deposit with it, and for a moderate interest on such sums, and also for the security and protection of such provision as they may be able and inclined to make for families by life insurance, or for their own old age by the purchase of annuities.

The French were quick to follow the British example in respect to post-office Savings banks. Other European nations have been slower in doing that. It is only within a year or two that Austria and Holland have established such banks.

None of the European countries are under any embarrassment as to how they shall invest moneys deposited with them. They all have debts, and most of them have large debts. By investing deposited money in their own indebtedness, they can carry it at as low, and generally at a lower rate, than they can by any mode of borrowing.

The credit of the United States is stronger and safer than that of any nation in the world. The credit of most of our States and of many of our cities is as well based as that of the National Government, and is as equally acceptable among their own citizens. The nation itself, as well as States and cities, have, as a rule, been borrowers of money, and it is not a little remarkable that they have never borrowed from the numerous persons who are anxious for a safe place of deposit for their savings, from whom loans on a very considerable scale have always been obtainable at a less rate of interest than from anybody else. Financial economy seems always to have dictated the method of borrowing by receiving the deposit of savings, and it always was, and still is recommended by the even more important consideration, that nothing so encourages thrift as the existence of places of deposit in which there is a universal and absolute confidence.

What has been suffered to happen in this country has been the monopoly by private institutions of the custody of the savings of the people. The great majority of such institutions have been wisely and fortunately managed, but the exceptions have been numerous, arising sometimes from fraud, and sometimes from the extraordinary fluctuation in the market prices of real and other property taken as security for loans. The difficulty is that one Savings bank failure will do more to impair confidence than the long-continued success

of twenty Savings banks will do to establish it. Confidence is not only a plant of slow growth, but it is a plant which can be destroyed with a single breath and in a single moment.

The obstacle to the establishment just now of a postal Savings bank is the fact that the investment of the deposits in Government bonds would, to the extent of it, diminish the amount of bonds available for the purposes of the National banks, and thereby increase the existing tendency to a contraction of the bank-note circulation. It is doubtful if the opposition to a postal Savings bank arising from that aspect of the case can be overcome, until some new plan of National banking can be agreed upon, and when such an agreement can be effected it is impossible to foresee. It will certainly not be effected until the country first comes to a conclusion as to the principles which ought to regulate the total volume of its paper money.

In the meantime, there does not appear to be any embarrassment in the way of the reception of deposits of savings by such States and cities as now own public debts, as the great majority of them do. There is no good reason why they should not receive such deposits, and there are strong reasons why they should receive them. They could thereby reduce the rate of interest on their own indebtedness, and also secure for the laboring classes places of deposit for their surplus earnings which would command absolute confidence and be beyond the reach of panics, and also be really safer than anything of that kind which now exists.

Savings banks, which are started and carried on for the public good, will not object to such a decrease of their business as may result from the establishment of other reliable places for the deposit of Savings. The opposition to what is here proposed will come from that class of savings banks which are kept in existence for the accommodation, not of the public, but of their managers, who in various ways profit by their control over the money of others. This class of savings banks are a small minority of the whole, but the persons interested in them have from their activity an influence on legislation quite out of proportion to their numbers.

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### PANICS AND THE SILVER QUESTION.\*

At present we meet in the midst of some of the most interesting and most important phenomena of finance, the result of what is popularly known as a panic. A panic is possible at any time. It means an unreasonable fear amongst a great mass of people. At such times men doubt everything. They distrust their own judgment, and refuse to act, or if they act, it is in a wild and unreasonable manner. Your memories are yet alive with the financial panic of May last. The causes which led up to it, the course and range of its action, the results which have followed and will follow, must excite our deepest interest. A proper understanding of its causes will suggest valuable safeguards for the future. Its course of action, if fairly recorded, would become a most valuable reference in similar periods hereafter.

To comprehend its full and final effects is important to us all. As the physician is called upon in ordinary periods to deal with ordinary troubles, but must be prepared in times of epidemic to deal wisely with extraordinary cases, to which he is not accustomed, so we, dealing with the body politic, must be ready to act well not only in the ordinary course of banking affairs, but also in the extraordinary periods, when men's fears and unreason are epidemic. Upon our wise action in such emergencies our own safety and the material welfare of the whole people largely depend. Is it not possible for this Association to establish firmly the true line of action upon which such crises should be met, to establish it so that all men shall know that it is the right line of action, and so that all banks of our land, acting upon this single line, can move as a unit to meet and overcome the threatened danger? In other words, are we not able to agree upon the true remedy for a financial panic, and so agreeing, can we not act consistently in its application?

It is undeniable that as bankers we have a duty in this matter.

The preservation of our own interests and a proper regard to the trusts we assume towards the commercial community, both emphasize it.

I am not setting forth any new doctrine in affirming that the true remedy for a panic is of a twofold character:

*First.*—The maintenance, in all ordinary times, of adequate cash reserves.

*Second.*—A liberal use of the cash reserves in times of panic by judicious loans.

\* This article contains the principal portion of the inaugural address of Lyman J. Gage, of Chicago, President of the American Bankers' Association, at the recent Saratoga Convention.

The National Bank Act fixes the minimum of reserves for banks located in the so-called redemption cities at twenty-five per cent. of their deposits, one-half of which may be redeposited with approved New York City banks, and thus it comes that New York banks are the final holders of an important part of all our bank reserves. For National banks located in the City of New York, a full reserve in legal money of twenty-five per cent. is by the law required. Experience, I think, proves that if applied to the New York banks as holders of the final reserves, this minimum is too small. It is not an *adequate* cash reserve. It does not furnish the proper sense of strength and security to the banks themselves when the hour of trial comes. The result of experience is the final test of every theory and every action, and guided by this test the minimum of twenty-five per cent. is too small. A larger ratio should be voluntarily adopted, or by the law be required.

The maintenance of adequate cash reserves is, however, but the negative or passive side of this remedy. It has an active side, and this active or positive side is found when, in the hour of panic and fear, the accumulated cash reserve is freely used in generous but judicious loans.

The opposite course has seemed the more popular, viz.: a gradual depletion of the cash reserves in times of peace and quiet, followed by sharp contractions in the moment of panic. An eminent writer has said: "Lending cures panics, while non-lending or niggardly lending aggravates them. With the advantage of credit we must take the disadvantages, too—but to lessen them as much as we can we must keep a great store of ready money available, and advance out of it very freely in periods of panic and in times of incipient alarm." In the panic of 1826, the Bank of England, after vainly endeavoring to protect itself for a considerable time by refusing to make loans, suddenly changed its action, and thereafter it did as was stated in the evidence taken before a Committee of the House of Commons: "During its continuance," said Mr. Harmon, Governor of the Bank at the time, "we lent by every possible means, and in modes that we never had adopted before. We took in stock as security; we purchased Exchequer bills; we made advances on Exchequer bills; we not only discounted outright, but we made advances on deposits of bills of exchange to an immense amount, in short, by every possible means consistent with the safety of the bank; and we were not, upon some occasions, over nice. Seeing the dreadful state in which the public were, we rendered every assistance in our power."

The New York banks as a body, are the ultimate or final holders of the cash reserve. They bear to the banks of the country a relation similar to that of the Bank of England in its relations to the British Banking system. As has already been seen, experience has taught

the Bank of England its true duty and its path of safety. It always lends in a panic more freely than in ordinary times. Its refusal in a time of financial alarm to make advances on customary securities would shake the whole financial fabric to the ground. Two things, however, distinguish it from any bank or body of banks in this country:

*First.*—The power to raise the rate of interest without limit.

*Second.*—The power to issue its own notes.

The Act of 1844, it is said, restricts the latter power, but this restriction has been several times violated, and all the world knows it will be again violated, when occasion shall demand.

By raising the rate of interest in ordinary times, it checks the demand for loans and recovers a falling reserve. By its ultimate power to issue notes beyond legal restrictions, it lends in time of panic without fear.

With us an absurd usury law takes away the power of control over the reserve, which an elastic rate most effectually furnishes. And to the ultimate banks who hold the final reserve—as do the New York banks—there is no existing avenue of expansion or relief. In the exciting issues of a financial panic they find themselves charged with the gravest responsibilities. In addition to the common relation of a bank to its depositors and dealers, the New York banks are the holders of reserves for banks of every name scattered over the United States. These interior banks also cherish the assurance that they may look to the New York banks for reasonable advances when local exigencies require and the general course of affairs justifies this expectation. Amid these varied obligations and duties the New York banks in May last, were suddenly called to a most vivid and painful realization of their great responsibilities.

The sudden collapse of a large bank, under circumstances indicating very loose if not corrupt methods, followed as it was by the immediate suspension of one or two others holding large deposits of money, destroyed confidence in a moment, and sent a deep thrill of apprehension over this country. An incipient panic, threatening to assume frightful proportions, was everywhere witnessed.

The wise readiness and heroic courage displayed by the Clearing-house banks in this exigency was as remarkable as it was effective. In the panic of 1873 similar measures were adopted, but not until after much injurious delay. At this time it was prompt and decisive. We, who were farthest away from the exciting scenes, can testify to the relief their action gave us. In the city it immediately restored confidence in the banks, and at all interior points it quieted rising apprehension.

The adoption by the New York banks of the so-called Clearing-house certificates was a practical though partial recognition of the principle here contended for.

It was practical, because through the use of these certificates, every bank creditor at the Clearing-house, became a willing lender of its entire credit balance to any debtor bank or banks desiring to borrow.

It was partial, because the benefit of this operation was so much restricted. With a larger cash reserve here contended for, and with the right to raise interest rates so as to bar out mere panicky borrowers, the issue of these certificates would have enabled the New York banks to meet every legitimate call for loans. As it was, they were in a position to lend with considerable freedom, as the total cash reserve was made available at any point; but it would seem, if observation may be trusted, that such power was not exercised. A vigorous policy of contraction in loans was the observed rule—a policy which was oppressive to debtors, injurious to the banks themselves, and detrimental in its widespread effects to industrial interests everywhere. This policy found a ready if not necessary imitation in all the cities and villages through the land. But the general adoption of such a course does not justify it as wise, though where a common sin prevails criticism is disarmed, even if the sin be acknowledged. The prevalence of an evil policy makes individual exception difficult if not impossible.

A banker who should try the remedy of expansion, when all his neighbors were enforcing contraction, would soon find his reserves transferred to his neighbor's vaults.

The principle does not admit of partial application. It must be thoroughly embraced and generally acted upon, or it will fail.

If these reflections upon the remedy for financial panics are justly founded, three general suggestions are in order:

*First.*—The keeping of cash reserves considerably larger than twenty-five per cent. in ordinary periods by banks in the reserve cities.

*Second.*—A repeal of usury laws—thus leaving the price of money to be regulated, as are all other commodities, by the law of supply and demand.

*Third.*—The adoption of some rule to secure a uniform practice in loaning freely, in times of panic, out of the cash reserves.

It will be said that public prejudice renders it idle to expect a repeal of the usury laws. That must be for the moment admitted. It still remains, however, that true principles make their way and receive final adoption through being held to the public mind until their value is recognized.

It will also be said in answer to the third suggestion, that no rule of the kind indicated can be devised susceptible of enforcement. In such an answer I cannot concur. The Clearing-house certificates prove that co-operation in one respect at least may be secured. A trusted committee of the Clearing-house Association issues these

certificates against the pledge of securities they deem sufficient, and all members receive the certificates at their face. Why could not another committee of equal prudence make all the loans in times of panic to the public, with funds furnished for that purpose by all the banks, in proportion to their cash reserves from day to day? For the funds so received, certificates could be issued to the contributory banks, which also should be receivable through the Clearing-house in settlement of balances.

This is merely a suggestion to indicate that through study and reflection a solution can be found. In this hasty presentation I have purposely omitted many details of argument. Several questions remain which no doubt affect it—questions of interest on deposits, the methods and direction of bank loans, and other questions quite subordinate. If your minds are engaged with the theme, its full treatment is in your hands.

It is at last, perhaps, a choice between evils.

A panic is an agent of destruction. Left to run its course, like a conflagration, it will cease only when all it feeds on is destroyed. With approved engines, we put out incipient fires. With improved guards, we have brought down the percentage of steam boiler explosions to a practical nullity. Dynamite is transferred in safety from one end of the country to the other, to do useful work in quarry and mine. Electricity lies under control, and lights of 20,000-candle power turn night into day.

Shall we now admit that in the realm of banking and finance a higher degree of perfection cannot be reached? Our conquests in other fields are a sufficient affirmation that we shall not fail in this.

I have already sufficiently taxed your patience, but you must bear with me if I briefly allude to another subject daily growing in importance. I refer to what is known as the silver question.

The question has been long under debate. The issues involved have been affirmed—denied—and declared to be indifferent—unworthy of debate. Events, which I will not stop to enumerate now, indicate that these issues, whether good, bad, or indifferent, are likely to be realized at no distant day.

The position of your association has been consistent from the beginning in resisting by voice and influence the progress of the silver movement, and it is not out of place to reiterate our objections and restate our reasons for so objecting. Our objections do not lie in the fact that the silver standard is peculiarly inimical to the interests of banks. On the contrary, I affirm that aside from the benefit conferred on silver mining interests, bankers and money brokers are the only class likely to reap advantage therefrom.

These advantages to bankers and money brokers will be considerable, and they will be immediate.

It is asked how this can be?

The answer is not remote. It is now generally admitted that what is called a double standard is not a practical and enduring possibility.

With gold and silver both current one must be superior and the other subordinate. At this hour such is the fact with us. Gold is the recognized money of accounts, and silver circulates in a reduced volume by the sufferance of the commercial community, but in a purely incidental and subordinate relation. The continued infiltration of silver coin and silver certificates into the channels of circulation, supported and enforced by the Treasury Department, threatens to soon reverse the present relation of the two metals in our financial system. When that shall be accomplished, silver will be the money of account, and our gold coin, possessed, as it is, of a higher commercial value abroad, will either be hoarded at home, or seek its higher exchangeability in other countries.

I have said that the banking class would find advantages in this shifting of standards.

It will occur in two ways:

*First.*—Through the profit arising from exchanging with the public the then absolute money on account, gold, for the new medium, silver.

*Second.*—With silver payments made respectable, the banker will find as good protection as he now enjoys against dangerous runs, with much lower average reserves, and the difference he can lend at a profit.

The bulky character of silver also will render the banker's service to the public the more indispensable. It is true that the purchasing power of his capital—when counted in silver—will be much reduced; but as he is never a buyer—always a lender—this will not consciously affect him, or if it does, the conversion of his present gold reserves, with their accompanying premium, into the lower silver standard, will nearly, or quite, make good such loss.

Why, then, do we oppose a movement which promises these benefits? We oppose it, notwithstanding these temporary and unworthy advantages, because, taught by the nature of our relations to reason on these things, we perceive, or honestly think we perceive, that the adoption of silver as the money of account will be detrimental to our commercial and industrial interests, and in the prosperity of these our highest welfare is closely bound.

How then will our industrial and commercial interests be adversely affected?

We are a commercial people. The extension of our trade and commerce over all seas, and with all people, is recognized as a most desirable object. At present, the extent of this trade and



commerce is limited. Older nations have naturally been in advance of us in the world's markets, and we are met by this embarrassment.

Another fact exists. It will not be disputed, viz., that for all our commercial transactions with other people, settlement must be made in the London money market. If we buy sugar in Cuba we pay in London, If we sell goods in Brazil, we take in English funds payable in London. So that whether we buy or sell in the course of our foreign trade, London is the settling house for all this trade. At the present moment our financial system rests upon, and our commercial values are measured by, the same metallic standard, viz., gold coin. Our gold coin shipped to the British mint may be coined into sovereigns at a nominal expense, and English sovereigns shipped to us may be transmuted into our gold coins at no material cost. Thus in the competitive struggle for a place in foreign markets we enjoy a great advantage in using the same metallic money standard.

The rise and fall of gold, or the rise and fall of commodities in their relation to gold, affect us in our great competition in an exactly similar manner. We enter the commercial contest with weapons equally matched. Now, it is proposed to voluntarily surrender this important condition. With silver money of the present weight and fineness the recognized and established money of account in our domestic affairs, we shall have our industrial exchanges carried on under a money standard about fifteen points removed from the English or settling-house standard. Our domestic values will rise and fall in relation to an entirely different standard. Can anyone measure the deranging influence of this fact upon our foreign trade? But this indirect and ambiguous adverse influence is not all. In every settlement abroad we shall be at the disadvantage of converting our domestic money of account, silver, into the English money of account, gold. And that this will always be at a charge to us is plain, if we reflect a moment. Thus, if in settling balances abroad specie shipments are required, we must send either gold or silver. If we shall send silver, it will be converted at our cost in the English market into their money of account, gold.

If, then, we ship silver, it will disturb the previous equilibrium of the market there and reduce the price. If we shall send gold, its purchase in our market will disturb the previous equilibrium of our market, and advance its price, and contrarywise, if in the settlement of balances we receive money from abroad, it will be in a like measure against us.

If we buy silver in the English market, it must enhance its purchase price. If we bring gold, it will find a falling market here; whether we pay or receive therefor there will always be an unknown percentage against us. Not only will this be so when actual bal-

ances are thus boldly transferred, but also in the ordinary course of settlement through the medium of bills of exchange, which, to a large extent, meet and cancel each other. The influences just described will be taken into account by the exchange dealers, and a larger margin of profit than is now required will of necessity be then exacted. We all know that trade turns upon small percentages, and the larger the transaction the more influential is a fractional per cent. It follows, then, that with silver the established money of account at home, our foreign trade will be prejudiced and restricted. It follows, also, that those who furnish products to go abroad, must furnish them at a price somewhat less than those who consume products brought from abroad—must pay somewhat more to make good the increased margin for cost and risk in converting the unrelated standards of the two countries. It will give an increased profit to dealers in foreign exchange. It will force the importer to add an extra per cent. to his otherwise selling price. It will make the exporter deduct a percentage from his otherwise purchasing price. Who will suffer therefrom? The industrial classes who produce and consume the exchangeable products. Why should this wrong be perpetuated? Will it protect and advance our silver interests? If so, it will be a benefit to a class aggregating in number about one hundred thousand. Will it adversely affect the interests of our agricultural and other industrial classes? If so, and it is this we affirm, it will prejudice the welfare of our whole people. For, in these two classes our entire population is substantially included.

I have dealt with this aspect of the question because I have not seen this feature sufficiently emphasized, and I will not detain you with other considerations. I do not doubt that some of you will give this and other sides of the subject a clearer and more comprehensive treatment.

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## FINANCIAL FACTS AND OPINIONS.

During July, the first month of the current fiscal year, the reduction of the net debt was only \$3,993,288. The available cash balance at the end of the month was \$139,118,903; but this was reduced the next day by the maturing, August 1, of a call for \$10,000,000 of bonds, some portion of which, however, had been paid by anticipation in July. The reduction of the customs revenue in July, as compared with the same month of last year, was \$3,558,762. As the rate of the duties was the same in both the months, the reduction of revenue may be taken as the measure of the diminution of the importation of dutiable articles. It may be expected to continue during the year, and probably longer, as our foreign trade is falling off, and must fall off, from the depression of prices and business. When Congress reassembles we shall hear less about the surplus of \$100,000,000 than we have heard heretofore. That surplus, which some persons believed to be permanent, will dwindle rapidly so far as the customs revenue is concerned, and also as respects the internal revenue after the first of next March, when the extraordinary payments of whiskey taxes come to an end. It will be fortunate if the actual surplus of the current year proves to be large enough to meet the requirements of the sinking fund, which is \$46,269,756.

During the month of July \$6,000,000, in round numbers, of the threes deposited by the banks for circulation were withdrawn, and \$4,500,000 of higher interest bonds substituted. If circumstances continue to favor the purchase by the banks of the fours and four and a-halves for circulation purposes, the contraction of the bank-note currency during the current year will be small, inasmuch as the Treasury calls of the threes will certainly diminish.

Poor's *Manual* for 1884 shows that at the end of 1883 the total share capital of the railroads of the country was 3,708 million dollars, with a total funded debt of 3,455 millions, and with other liabilities amounting to 332 millions. The facts as to the capitalization and debts of these roads are carefully collected, and they are important to be known to everybody who buys or sells their shares or bonds, but they throw no light upon a question of great public interest, and that is the actual amount of money expended in the construction of these works. As to the older roads, it would probably be now impossible to ascertain that fact with any reliable accuracy, and it would not be possible in respect to the newer roads, except through commissions authorized to examine witnesses and inspect books. In a rough way, the public have come to the con-

clusion that on the average at least half of the capital represented by the bonds and shares is pure water.

Many persons are reported as believing that we are to expect considerable importations of gold from Europe during the current fiscal year, and that such importations will commence this fall. There are only two causes for such importations. One is a favorable balance of our foreign merchandise trade in excess of the interest and other current claims which foreigners have upon us. The other is a sale abroad of more stocks and securities than are returned by foreigners to our markets. As to the probable magnitude of the favorable balance of the merchandise trade, the good crops of the year assure exports large in quantity, but the prices obtained will be low, and it is much to be feared that the extreme prostration of European markets will force an unusual importation of European goods, without regard to the sacrifice made on them. As to investment securities, they will hardly move from this side of the Atlantic to the other, so long as there is so much capital here for which the owners cannot find any employment which is satisfactory to them. As to speculative stocks, in which category public opinion now places the great body of American railroad stocks, it is impossible to foresee what whims and fancies may influence those who gamble in them. On general principles, however, it may be concluded that New York will continue to be a better market for them than can be found abroad, because it is here that the great pools exist, which are compelled by the instincts of self-preservation to uphold them.

In one column of the London *Economist* of July 26 it is stated that "American securities have found a somewhat better market here since they suffered their heavy drop in prices," but in another column the following statement is made:

There are many securities which bankers have for the time closed their doors against, as, for instance, they have now done against American and Canadian railways.

These statements were, of course, made by different writers, but we attach no importance to the statements made by the writers for any of the London financial journals as to which way at any given time the balance of the flow of securities between London and New York is. Each writer adopts the view of some particular stock dealer, or perhaps of two or three stock dealers, whose impressions are derived from the course of their own business, and it will commonly happen that while some dealers think that London is buying more of New York than it is selling, others will think that London is selling more than it buys. From the nature of the case, the flow of securities cannot be determined as the flow of merchandise can be, and statements about it are always a matter of guesswork, and the guessing is frequently very wild. There are no

custom-house entries about it, and there is no direct evidence of any kind by which it can be determined.

If we take the larger question, whether the United States in its dealings with England and all other foreign countries is buying more securities than it sells, we can arrive at a satisfactory conclusion from the course of its foreign trade, including merchandise, coin and bullion. When, as during the last fiscal year, the favorable balance exceeded our annual interest account due to foreigners the amounts expended abroad by American travelers, and the freights paid to foreign ships, we can safely assume that we bought more securities in Europe than we sold there.

The Treasury department is taking steps to keep up the supply of new \$1 and \$2 Treasury notes, to take the place of those which are worn out. It would appear from this that the appropriation by Congress, for the engraving, &c., of Treasury notes, was large enough to maintain the full volume of all denominations. The country will be glad to know this, as the \$1 and \$2 greenbacks are a popular and acceptable currency. Mr. Blaine, February 15, 1878, said, in respect to an attempt of a senator from this State (Mr. Kernan) to suppress them:

The point involved is the abolition of one and two dollar notes. I do not believe the people of the United States will ever agree to that, specie payment or no specie payment, silver or gold. They want the one and two dollar bills. They are a great convenience, and I do not believe they will ever be dispensed with. I am opposed to retiring any of these bills.

The London *Economist* (July 26) says that rates of interest in London are low beyond any former precedent, and even affirms that cases of loans at a-quarter per cent. per annum have occurred. In reference to the two per cent. rate of the Bank of England, established June 19, it says that the bank does not announce any rate lower than that, but that if it did not make private arrangements with customers below that it would be compelled to go out of business. The earliest announced rate of two per cent. at the bank was in 1852, and the table of the periods of its subsequent occurrence confirms the statement of the *Economist* that very low rates of interest are simultaneous with very low prices of commodities. That fact has always been noticed, and the reason for it is not far to seek. Falling prices destroy the profits of trade and of productive industries, and when there is no inducement to new undertakings, interest is only obtainable from individuals upon old loans, or from taxpayers through the instrumentality of public debts. As the fall of prices progresses the securities for past individual loans become inadequate, and many public debts cannot be paid because the ability of taxpayers depends upon the amount of money which their products will command in the market.

On the 11th of August, the City of New York offered \$1,180,000 of its three per cent. bonds, free from city taxation, and payable, a portion in ten years, and a portion in twenty years. They were all taken at par, except \$20,000, for which a premium of  $\frac{1}{10}$  of one per cent. was obtained. This is borrowing at a low rate, compared with the rates to which we have been heretofore accustomed, but the day of high rates on securities recognized as sound has gone by in this country.

In the review of the financial situation, made in the United States Senate, July 7, by Mr. Allison, he figured the surplus of the current fiscal year at from \$20,000,000 to \$25,000,000, in addition to the sinking fund, which is \$46,269,756, "assuming that our income from imports and internal revenue will be substantially as last year," but he prudently added that the question whether this assumption would prove to be true, was "also an element to be taken into account." During July, the first month of the year, the tariff revenue fell off \$3,558,762, and if the existing depression continues, which is as certain as anything future can be, it will fall off through the whole year.

Our foreign trade in merchandise, excluding coin and bullion, shows during the fiscal year ending June 30, 1884, a decline of \$83,235,842 in the exports, and of \$55,466,351 in the imports, as compared with the fiscal year ending June 30, 1883. These are money valuations, and it is doubtful if there was any decline in quantities. Notwithstanding the larger crops of this year, a further decline of the money value of both imports and exports may be expected, and, of course, a further reduction of the tariff revenue.

The hopes of a large yield from the gold mines of Cœur d'Alene (Idaho), which led to such a rush of people there last winter, have entirely died out. A recent number of a newspaper, started there during the excitement, says, that "never in the history of Idaho Territory has there been so flat a collapse."

The iron and steel ships finished on the Clyde during the first half of 1884, amounted to 149,923 tons, as compared with 195,986 tons during the first half of 1883. The number under construction at the end of June was ninety-four, as compared with 135 at the same time last year. These figures show a large falling off, but not such a complete collapse in the business as some accounts had led the world to believe had taken place.

The States of the Latin Union have called a conference on the twenty-first of October, to agree (if possible) upon revised terms under which the treaty between them, which expires December 31, 1885, may be further extended.

Henry H. Gibbs, ex-Governor of the Bank of England, has been very conspicuous in the efforts made to induce England to coin silver. On the third of last July he published a letter declar-

ing that he had "no present hope" that these efforts would succeed, and that it must be regarded as settled that England will adhere to the single gold standard. So far as we know, the silver men in this country have all along insisted that this would turn out to be so. Mr. Gibbs urges the bi-metallists of Europe to be satisfied with England's continuing the free coinage of silver in India. We judge from such information as we can get that the German opinion is against resuming the coinage of silver, unless England will coin silver at its home mints, as well as in India. Everything looks like the continuance for a long time yet of the present *status* of Europe on the silver question.

The *London Mark Lane Express* of August 11, says that the average price during the preceding week of English grown wheat was 37s. 6d. per quarter, as compared with 43s. 6d. during the corresponding week of 1883, and it adds that "present symptoms indicate a rapid subsidence of values to a level hitherto unknown." England is the great buyer of wheat, and the *Mark Lane Express*, as the organ of English interests, is naturally an habitual propagator of pessimist views as to the future of the wheat market, which may not be so bad as the *Express* predicts and doubtless hopes it will be. But the whole world has gone to raising wheat, and prices are likely to be very low for a period the end of which cannot be foreseen.

The persons who believe that great corporations wield too much influence in this country may be recommended to France as a more desirable place of residence, if we can believe that the Paris correspondent of the *London Economist*, of June 21, was well advised in saying, *apropos* of a vote of the Chamber of Deputies, that the match monopoly, instead of being continued in the hands of the company which has had it for nine years, should be put up at auction:

The Chamber is always ready to put the screw on any company, as it has done with the railways, from the idea that they form a financial aristocracy. The Bank of France must know what it has to expect when it shall apply for a renewal of its charter which will expire in 1897.

Among miscellaneous papers of the late Prof. Jevons, recently collected and republished in book form, is one advocating the issue of £1 notes by the Bank of England, with the condition that "they be issued on the firm basis of the Bank Charter Act" of 1844. The distinguishing feature of that Act was, that a fixed amount of the total issue of the bank should be without any gold behind it, and that against any excess above that amount the bank should hold gold pound for pound. Unless there is an enlargement of the amount of issues against which no gold is kept, the issue of £1 notes will accomplish nothing in relieving the restriction of gold, and neither Jevons, nor any of the commentators

upon him, explain what their ideas are on that vital point. The fixed issue of the Bank of England, that is to say, the issue without gold behind it, might be enlarged without circulating £1 notes, although the enlargement which could be safely made would be much larger with such notes than without them. The principle upon which the amount of the fixed issue was established in 1844 was, that it should be such an amount as would be certain under the worst circumstances to remain always in circulation and not be presented for redemption. The amount certain to remain in circulation now must be much greater than it was forty years ago, when the British population was much less than it is to-day. Furthermore, it is plain that the quantity of bank notes which the currency of any country will absorb must increase, in proportion as the denominations of such notes fit them to occupy the various channels of circulation. As it is now in England, with no note below £5, it is only a small fraction of the population which ever handles a bank note. But there is no indication that the English will, within any near period, either authorize £1 notes or enlarge the fixed issue of the Bank of England.

The press in Paris, and correspondence inspired in that city, contain stout denials of the damaging statements published in this country in respect to the progress, or rather the alleged want of progress, of the Panama Canal. The view of the financial coterie which sustains Lesseps is, that the canal will certainly be completed within the eight years originally contemplated. The contrary view is ascribed to the "jealousy of American journals at the progress made in the Isthmus," and it must be admitted that some ill-will as respects the enterprise of Lesseps has been shown, not only by some journals, but by a few politicians in the United States. But we see no evidence, and do not for a moment believe, that the great mass of the American people have any feeling of jealousy or ill-will about it. Inasmuch as neither the Government of the United States, nor any company formed here, has ever proposed to put a dollar into the enterprise, or would have been likely to put a dollar into it for years to come, we have no right to object to its being undertaken by French capital. And considering the great power of this country, and the advantage we have over any European nation, in the matter of proximity to the proposed canal, it need not be apprehended that our use of that waterway, if it is ever opened, will not be on as good terms as are accorded to others. There are always ambitious persons among our public men, who like particularly well to pose as the special defenders of American rights. But the people of this country estimate at their true value the pretensions of such persons, and will take care that they are not allowed to embroil us in controversies with foreign nations about things which do not really involve either our rights or our interests.



## THE MONETARY QUESTION AND THE LATIN UNION.\*

The monetary question, after slumbering for a time, is again agitated, and renewed interest is given it by the approaching expiration of the convention signed in 1878 by the nations of the Latin Union. In France and Italy public attention is called to it by the important interests attached to it, and by the economic modifications of exchanges during the last six years. M. Luzzatti, in the *Nuova Autologia*, and M. Cernuschi, in a pamphlet, have interpreted the fears or wants of the statesmen of the powers directly interested, and they have called forth studies which will soon be transformed into decisions.

France, from her geographical situation and important international relations, is more than any other country interested in the solution. Twenty years ago she brought about the meeting, sanctioned by the monetary convention of Paris, and more than any other country, also, she has a right to give expression to her views on the resolutions that must result from the approaching conferences.

To obtain an exact idea of the present condition of monetary matters, it is indispensable to consider the past, to recall the preliminaries of the primary Act of 1865, to follow its various transformations, and, after explaining the practical consequences drawn from it by events, to come to some definite conclusion in the face of present difficulties and future possibilities.

The Latin Union is the result of an agreement signed December 23, 1865, by France, Belgium, Italy and Switzerland, to which Greece was added January 1, 1869, and it was brought about by a great change occurring at this time in the relation between the two precious metals forming the basis of our monetary system.

As early as 1850 the discovery of gold in California and Australia had attracted the attention of the countries having a double standard and of specialists, to the probable consequences of a transformation, as rapid as unexpected, in the method of settling international transactions. From the increased importation of gold into Europe silver showed itself more rarely in circulation, and there was a considerable decrease of the production of the mines. Hence, there resulted, in daily commercial relations even, considerable embarrassment, since, notwithstanding the diminished importation of the white metal from the producing countries, the exportation of silver to India and other countries with a silver currency did not slacken, so that the stock in Europe was correspondingly reduced.

\* Adapted from the French of Octave Noël.

At the beginning of 1865, the situation calling for governmental intervention, Belgium had a meeting of delegates from the most interested nations; then, with the consent of France, she sought to retain her small money by a reduction of her secondary silver pieces. Switzerland adopted the proportion of  $\frac{1}{1000}$ , Italy that of  $\frac{1}{1000}$  for coins of two francs and under, and Belgium adopted  $\frac{1}{1000}$ , in imitation of France.

The first effect of the projected conference was to do away with differences in monetary legislation, to tend toward the unification of money. The four contracting countries agreed to coin their five-franc pieces of silver, with a uniform diameter of thirty-five millimeters. The silver pieces coined under the conditions agreed upon were to be legal currency between individuals in the State issuing them up to the amount of fifty francs for each payment; the public treasurers of the contracting States were to accept the silver money coined by one or several of the other States of the Union to the amount of 100 francs for each payment; finally, each of the Governments was to accept from individuals, or other public treasuries, the small money issued by itself in exchange for an equal value of current money in gold or silver pieces, with the condition that the amount presented for exchange should not be less than 100 francs. The agreement began its operation August 1, 1866, was to expire January 1, 1880, if announced six years before. In the contrary case its duration was to be prolonged for fifteen years more.

Belgium raised the question of the standard. Its representative said the coinage of depreciated fractional money was only an expedient—it was but half of a solution, recourse must be had to the gold standard, the silver five-franc piece must be done away with or coined like smaller pieces. The French Government adjourned the solution of this question, which, however, was the only one to survive the crisis. The annual production of gold fell off, the metal more generally employed weighed less heavily upon the European markets, and the extraction of silver resumed its former activity. Before two years had passed since the formation of the Latin Union the question of principle was enlarged, and the growing tendency toward the unification of money revived the idea of the standard, and gave it a hitherto unknown force.

An International Conference met at Paris during the Universal Exposition of 1867, to deliberate upon the creation of a uniform money. Besides the States signing the convention of 1865, it comprised the Pontifical States, England, Austria, Prussia, Russia, the Netherlands, Portugal, Spain, the United States, Denmark, Sweden, Norway, Turkey, Greece, Bavaria, Wurtemberg, and Baden.

From the opening of the meeting the want of agreement arising from the standard used in different countries was so marked that the representatives of Italy, Switzerland and Belgium asked

France to consider the adoption of the exclusive gold standard, in the hope that some great commercial countries would thus be induced to accede to the convention, suppressing frontiers for the circulation of money.

The proceedings of this commission testify to the superior interest attached by all the powers to the success of a doctrine whose truth was proved by daily experience. The delegates, almost unanimously, after showing the dangers of the double standard, applied themselves to demonstrating that "gold is eminently the money of civilized nations, and that this part is assured to it by the facility of counting it, by its intrinsic value, and by the very difficulties of its production."

Upon this special ground international unity might be effected. The type remained to be adopted, and it seemed as contrary to practice as to theory to found the system on variable bases. France, for the time, did not think best to acquiesce in the proposed solution; she was, moreover, bound by a special treaty with the nations of the Latin Union; this treaty gave legal currency to both gold and silver; its Government could not break the contract of 1865 without compromising both the question of the standard and that of monetary unification.

Practically, therefore, the conference of 1867 could not succeed; though it affirmed a principle, it could not establish a definitive system. Until 1878 the question remained unsolved; silver continued to depreciate, rendering an understanding about the double standard more difficult than ever. Germany has decided upon the adoption of a single gold standard and the demonetization of its silver; Holland, for the second time in twenty years, modified its metallic system, and rejected silver for gold; the Latin Union itself, following the economic current, made its meetings annual, and after reducing every year its emissions of silver coins, decided upon definitive suspension.

Under these conditions the conferences preceding the renewal of the Union opened. From 1874 to 1878 delegates from the States signing the convention of 1865 met to study the new situation due to the growing depreciation in the price of silver, and to remedy the inconveniences resulting from events since 1870. The mining statistics showed a sensible diminution of the production of gold, and a simultaneous increase of that of silver. The relation between them had risen from 15.5 to 17.96 in 1878, occasioning a loss of eighteen per cent.

The Latin Union, alone in maintaining the double standard, was first to feel the approaching crisis, aggravated by the demonetization of the thalers in Germany, and by the decision of the Scandinavian States and Holland to adopt the single gold standard. The conference of 1878 was called to deliberate, and delegates from the

powers of the Latin Union met at Paris to settle upon new terms for the convention to be signed.

The convention was adopted November 15; the high contracting parties accepted the suspension of silver coinage from January 1, 1879, except for Italy, which, desirous of taking out of circulation its paper money of denominations less than five francs, was authorized to coin in 1879 five lire pieces to the amount of twenty million francs.

The situation of the white metal however did not improve, and the United States, particularly interested in keeping up the use of silver, as abundantly furnished by its mines, tried in vain to bring about some sort of agreement based upon the adoption by all the States of Europe and America of the double standard, with a ratio fixed by international agreement between the two precious metals. The conferences, from 1878 to 1881, at Paris were without success; Germany declined the first invitation, and the other States sent delegates to France to follow the proposals of the Cabinet of Washington, but to be extremely reserved about a decision. The conference of 1881 had no better fate than its predecessors. The object of the Americans was plain enough; personal interest was felt to play a great part in their preaching of silver, and the fear of seeing the working of their silver mines compromised by hostile decisions of European States alone sustained their ardor. The delegates of the sixteen States represented separated without passing any resolution, and adjourned the decisions of the conference to 1882.

The projected meeting did not take place, and though the precise reason was not expressed, it cannot be doubted that the want of success of the preceding conferences seemed a significant symptom to the governments interested and little encouraging for the future. The causes of this distrust and opposition of the civilized world to everything tending towards a return of the monetary system formerly used are very evident, and they appear to us called upon to exercise a preponderant influence on the decisions of the approaching conference: the first is the uninterrupted depreciation of silver, the second the transformation of the mode of transmission of the instruments of exchange.

Since the renewal of the Latin Union in 1878, the depreciation of the white metal has continued to increase. There are several causes for this, and it cannot be attributed solely to the legal measures taken by several European States during the last fifteen years. Assuredly the demonetization of the silver thalers of Germany, the monetary reform in Holland, and the modifications made by England in Indian payments have lessened the value of silver, and by making the use of this metal less frequent they have caused the actual stock to be out of proportion to the wants of the circulation; but these measures have only been the natural consequence

of a new fact in the economic world, the transformation of the methods of exchange between different nations. It is very often forgotten that two immense factors have been introduced into the mechanism of human existence. The application of steam to traffic upon the land and sea, and the adaptation of electricity to the transmission of thought, have modified the economic life of nations and consequently their relations, and have weakened the efficiency of the old methods of exchange. The instruments of credit have multiplied and have more and more taken the place of specie; bank notes have been substituted in the circulation for gold and silver, which have accumulated in the reserve of banks, and remained there in almost complete immobilization.

Clearing-houses seem now destined to replace the bank notes. Up to 1870 Great Britain and the United States had the only ones of any importance, but since then they have been introduced into other countries. In 1867-1868 the annual total of the clearing operations of London amounted to 3,257,411,000 pounds sterling, in 1882-1883 to 6,189,146,000.

There has been the same progress in the United States. In 1870 the Clearing-house of New York regulated business amounting to about \$27,500,000,000; the total of its operations in 1883 was \$40,293,165,257. There are other such institutions outside of New York. In 1879 the Clearing-houses of twenty-five cities regulated business to the amount of \$10,430,000,000, and in 1883 their operations reached \$14,000,000,000. The same phenomena appear in other establishments of the great transatlantic republic. In 1882 the United States Comptroller of the Currency told the Bankers' Convention that 1,960 banks employed in transacting their business 0.65 per cent. of gold; 0.16 of silver money, 4.06 per cent. paper money, and 95.13 per cent. of checks and drafts. The slight use of silver shows the error of the partisans of the double standard.

In Italy, Austria and Australia, the Clearing-house is a success, and its operations are rapidly extending. Italy already deserves honorable mention. As long ago as 1772 Leghorn had a chamber of compensations. When the Chamber of Deputies of Italy discussed the abolition of the forced currency, the minister of finances supplemented the resumption of specie payment by proposing to establish chambers of compensation, and May 19, 1880, a decree announced the formation of several such chambers. Their transactions are not yet very considerable, and the mechanism of their exchange still leaves something to be desired, their average employment of metallic money being eighteen or twenty per cent. of their total operations. This is a high proportion compared to that of the London and New York Clearing-houses, and may be explained by the condition of Italy. The young kingdom is not yet fully developed, its credit is not solidly established, and despite the immense efforts of its government in the suppression of the

forced currency, it is difficult for the metallic circulation to become regularly established. Italy has perhaps exaggerated its forces and discounted its vital powers, but from our special point of view this is merely a secondary fact, whose temporary consequences can only retard progress for a brief space.

An attempt at compensation began at Vienna in 1872, and has since been extended in the Austrian Empire. From 523 million florins in 1872, its liquidations advanced to 613 millions in 1883. In all the other countries of Europe, where Clearing-houses are working, great progress is made, and there is a reduction of the circulation of bank notes, checks, and metallic money.

France alone has been refractory to the innovation, existing here in an embryonic state only. The Parisian Chamber during its first year (1872-73) liquidated to the amount of 1,600 million francs, and in 1883-1884 its operations amounted to only 4,200 millions. This is an average increase of about 236 millions a year, very insignificant in comparison with the movement of industrial and commercial affairs centering in the capital. In England the bank is a part of the Clearing-house, but in France the principal opposition to the chambers of compensation comes from the great bank of issue, though it is just to say that within a few years the Bank of France has made some progress on the road opened by its foreign rivals. Even Australia has its Clearing-house at Melbourne, and the latest statistics show a considerable development of the amount of liquidations.

The habits of nations have been modified everywhere, and though laws have tried to fix the conditions of the monetary circulation, they have resisted the employment of silver. The United States, induced by the personal interest of the owners of mines to coin more silver dollars, when the supply already exceeded the demand, has had to acknowledge itself vanquished by popular indifference and opposition. The Bland bill was passed in 1878. During the first year of its application the silver circulation amounted to scarcely twenty-one per cent. of the coinage, in the second year it rose to twenty-seven per cent., then to thirty-two per cent., and it fell back to thirty-one per cent. during the first half of 1881. Thus in a country with a population of fifty millions, and with forced currency, the average circulation does not exceed twenty-five to twenty-eight per cent. of the coinage, and this proves that National customs cannot be changed by laws not in harmony with progress.

The great economic evolution, shown by the extension of a perfected mode of settlement passing from money to the bank note, check, Clearing-house and compensation, has made itself felt in the commercial and financial legislation of the civilized world, and becoming more general it has diminished the circulatory power of the precious metals, and particularly of silver, the more inconvenient of the two.

## PRACTICAL BANKING.\*

## STATE REGULATION OF SAVINGS BANKS.

In many, but not all of the States, officers are appointed for the purpose of supervising and regulating Savings and other banks and their affairs. In New York State† no Savings bank can be organized hereafter without the assent of the Superintendent of the Banking Department, and there seems to be no appeal from his decision. During the existence of the Savings bank it is subject to his inspection by means of examinations and reports, as follows:—

A semi-annual report, as already described under the duties of the secretary.

A special report on any subject and at any time required by him.

An examination by himself or by deputies once in two years.

A special examination whenever, in his judgment, it shall be necessary.

The expenses of special examinations are borne by the corporation examined. Those of the regular examinations and other expenses of the department are borne by the corporations in proportion to their size, and, finally, the remedies in the hands of the Superintendent in case of improper action are, first, the publicity effected through his report to the Legislature, and, second, his power to make complaint through the Attorney-General in case of violation of law, or improper exercise of corporate powers; and the remedies which may be applied by the court upon this proceeding are: Removal of the board of trustees or any of their number; appointment of receiver and dissolution of the corporation, or the consolidating of the institution with a similar one which may be willing to accept the transfer. . . . The Superintendent has recently been given supervision over the receivers of failed Savings banks, who are now required to report to him, and he has been made the custodian of any unclaimed balances which the receiver may have on hand in favor of depositors at the termination of his receivership. Thus, during the existence of a Savings bank the Superintendent has no positive governing power over its acts, but is the head of a bureau of information. He himself has no power to remove trustees, or to annul any of their acts, but the moral power given by his authority for compelling information is probably beneficial.

\* This article consists of continued extracts from a work, now in press, on *Practical Banking*, by the editor of this Magazine. Copyright.

† All institutions of the kind within the State are made subject to its control, and a penalty is imposed for any person receiving or offering to receive Savings deposits in any town where there is an organized Savings bank.

The problem of State supervision is a very difficult one. A supervising department like the one under consideration usually becomes, after a time, a mere bookkeeping department, and if the reports of the several institutions check off correctly on his summaries, as found by the clerks in his department, the Superintendent goes no further, but devotes his time to the more congenial and dignified pursuits of practical politics. This is without any evil consequences in peaceful times, when there is no financial embarrassment, and everything goes swimmingly, but usually the same let-alone policy is continued from the force of inertia, into a period when the times begin to grow shaky, and generally the superintendent awakes to find that his rose-colored reports, for some time past, have been delusive. Then there will be a reaction from King Log to King Stork, and the state of the most prudently managed institutions will be looked upon with suspicion, and very likely some unnecessary wrecks will be the consequence. This was the case in the period of financial reaction, which followed our Civil War and reconstruction period, and presumably its history will repeat itself.

There is one very important lack in the system of reports as now carried on. There is nothing corresponding to a profit and loss account. There is nothing to show, analytically, whether the dividend which has been paid to depositors has been earned during the period covered, or whether it is subtracted from the previous reserve; whether it is strictly from the income, or whether incidental gains have been relied upon to help it out. Such an account should be required from every Savings institution, and should be most carefully scrutinized. In doing so there is a very important element which may readily prove deceptive. It is the question of premiums on stock investments. Let us suppose that the normal rate of interest on money is about four per cent., and that it does not vary much from that figure on fair security, and let us suppose that a municipality has issued its bonds, bearing ten per cent. interest, and payable in twenty years. Let us again suppose that another municipality has issued its bonds, bearing five per cent. interest, and payable in ten years, that another one has issued three-per-cent. bonds, payable in fifteen years. We are assuming that the security in all these cases is as good as anything human can be. In case of the ten-per-cent. bond running twenty years, it is evident that there is an extra interest of about six per cent., which is to be collected every year above the market rate. Therefore, the longer this thing continues the more valuable is the bond, and we shall indisputably find that it bears a proportionate premium. The value is not expressed by the par \$100. It is the present worth of \$100 due twenty years from now + the present worth of \$10 due one year from now, + the present worth of \$10



due two years, + the same at three years, + etc., and in order to be perfectly accurate these present worths must be computed at compound interest, and this computation must be semi-annual or annual, according to the terms of the bond. The five-per-cent. bond would not be worth so much, both because there is a smaller excess of interest over the market rate, and because this excess continues to run for a shorter time. The three-per-cent. bond would be worth still less. In this case there is a deficiency of interest which the buyer should be compensated for now, and the longer it has to run at three per cent. the worse off is the purchaser; therefore, this bond would be worth less than par. Now, it has been claimed that the true measure of the surplus of a Savings bank, as far as its stock investments are concerned, is the nominal or par value of those investments. That is to say, a bank having seven-per-cent. bonds to a certain amount is no better off than one having  $3\frac{5}{100}$ -per-cent. bonds. A bank whose seven-per-cent. bonds mature next year is no stronger than one where the seven per-cent bonds have twenty-five years to run.

The advocates of this theory consider that they are acting on the safe side. They consider the premium as a loss, once for all; therefore, at a period of buying, they would cut down the dividend to depositors, perhaps to nothing, simply because the institution has been making favorable investments. On the other hand, in subsequent after years, they would treat the entire revenue from these bonds as all profit, and thus the depositors at this time would receive more than would be, on the other theory, the fair earnings of their money.

Another plan is to hold the stocks at the amount they cost. By this means the loss, instead of being thrown upon the year in which they were purchased, is thrown into the year during which they are sold or redeemed, and this is a still more dangerous way of looking at it. In the former plan the stocks, if worth above par, as they usually are, are steadily undervalued, while in this method they are overvalued, in all probability, during most of the time they are held. In one case there is a fallacious calculation of current earnings; in the other case, there is a fallacious estimate of surplus in reserve. The true principle would seem to be that each year or half year an equitable portion of the amount paid for premiums, or conversely, of the amount received for discount, should be wiped out, so that the differences between par and market value would steadily and gradually disappear as the bond approached its maturity. Thus, the ten-per-cent. bond of which we spoke would be considered as earning, each year, the rate to which its cost price would be equivalent when averaged over the term—say four and a-half per cent. The remaining five and a-half per cent. should not be considered as earnings, but as an offset to the depreciation of

bond, or a refunding to us of extra premium, which we paid for an abnormally high rate of interest, and while this is true in theory it can be empirically tested by the state of the market. It will be found that, making allowance for the shifting productiveness of money and some other disturbing element, such as public confidence, that the market price of a security will settle in about this manner: That each year there will be a depreciation, amounting approximately to the difference between the current rate of interest on that kind of securities and the revenue actually produced. We would therefore enunciate this formula for ascertaining the true earnings from stock investments. From the cash income (*a*) received subtract such part (*b*) of the premium, as will progressively consume the entire premium at the date of maturity. The difference is the current earnings (*c*).

Again, take the difference between the market value (*d*) at the beginning of the period, and the market value (*e*) at the close of the period. The difference between *d* and *e* is the gross depreciation (*f*), or the gross appreciation ( $-f$ ).

Combining *b*, taken negatively, with *f*, or  $-f$ , we have the incidental or speculative loss or gain (*p*, or  $-p$ ).

$$p = +f - b.$$

$$-p = -f - b.$$

Thus there will be four cases.

*First*.—A gross depreciation equal to the amount of premium written off. Here there is no loss nor gain.

*Second*.—A depreciation greater than the amount of premium written off. Here there is an incidental loss to be taken from the surplus.

*Third*.—A gross depreciation less than the amount of premium written off. In this case there is an incidental gain or a real appreciation.

*Fourth*.—An appreciation which, together with the premium written off, is always an incidental gain.

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Our examination of the functions of a Savings bank brings us to the conclusion that it is simply a money making corporation—an association of small capitalists who combine for the purpose of having their small investments possess an earning power by aggregation. The officers and employees of the Savings bank are merely their agents in this. The entire resources of the bank, whether credited to deposits or to surplus, are the absolute property of depositors as an association. The trustees are a body whose constitution is somewhat anomalous, being the unpaid custodians of money not their own, but whose duties are assumed as a public burden and as a distinction. This latter peculiarity, the constitution of a board of trustees, which is independent of the real proprietors of

the concern, seems to me the only point which gives a Savings bank, as now organized, a right to be called a benevolent institution. It is benevolent for the trustees to give their time and services without compensation in the management of the money of others. It is not benevolence, however, to invest a man's money and pay him over the proceeds. Although in practice, this plan of organization has worked better than the one where there is a body of stockholders whose capital is substituted for a surplus as guaranteed to depositors, yet it is by no means proved that the advantage would not be on the side of the latter form, which eliminates all pretence of benevolence, and makes the Savings bank what we believe it to be, a pure matter of business. Of the three forms of associated saving, viz., the mutual, which we have described at length, the stock, or business-like form, which we have just touched upon, and the governmental, which, of late years, is becoming the subject of experiment; time alone can decide which will survive as the fittest.

#### THE CLEARING-HOUSE—INTRODUCTORY.

Closely connected with the general subject of banking is that of the Clearing-house. This is a comparatively modern institution, the Edinburgh bankers claiming the credit of establishing the first one. The earliest of whose transactions we have any record however is that of London, founded 1775, or earlier, and of this little was known to the public until it began to publish regular statements of its transactions, May 1st, 1867. The literature on the subject is almost wholly the creation of the last thirty years. Works on banking and political economy, of an earlier date than this, rarely, if ever, notice the subject at all. For more than three quarters of a century after its establishment the London Clearing-house and that of Edinburgh remained the only organizations of the kind known to exist. The monetary systems of most European States, centering around a single great bank, located at the capital of each, found in this a means of effecting mercantile settlements. Furthermore, the use of bank checks in making payments, which chiefly creates the need of the banker's Clearing-house, has in recent years attained a development previously unknown. The growth of American banking, decentralized and distributed among many banks, and the increasing use of bank checks as a means of payment, gave birth to the next Clearing-house in the order of time after that of London. The New York Clearing-house was established in 1853, from which date the growth of the Clearing-house system in the United States has been stupendous. Boston followed in 1856; Philadelphia, Baltimore and Cleveland in 1858; Worcester in 1861; Chicago in 1865, all the others are of later date. At present there are thirty-one Clearing-houses known to exist in this country. Each of our prominent commercial cities has one. The

United Kingdom has six, Australia one, and they are found in France, Germany, Switzerland and Italy, though checks are so little used on the Continent of Europe that the Clearing-houses of the last four countries have comparatively small transactions. The exchanges of American Clearing-houses were \$51,827,000,000, in 1883, and in 1881 reached a maximum of \$63,414,000,000, adjusted by the payment of balances not exceeding six per cent. of the amount cleared, the actual cash handled being estimated at about two per cent. of the clearings. From the inauguration of the Clearing-house system in 1853 to December 31, 1883, it had effected settlements amounting to about \$880,000,000,000, by paying balances of about \$57,000,000, or  $6\frac{1}{2}$  per cent. of the clearings. The amount of actual cash handled was very much less than this, as balances are to a great extent paid by means of checks or certificates issued from some common depository, without handling actual cash. The Clearing-house is, therefore, one of the most useful agencies called into being by the wants of modern commerce. It is among the most interesting features of our financial mechanism and well worthy of careful study. Susceptible of almost indefinite expansion, the clearing system in its various forms holds in possibility the solution of problems which have long engaged the attention of thinkers.

A glance at some of the more common banking operations will suffice to show the need of a Clearing-house wherever any considerable number of banks are located in the same vicinity. Mercantile establishments are constantly receiving in the course of business not only specie, but usually, to a much larger extent, bank notes, checks, drafts, or other mercantile paper. To present this paper at the counters of the various banks at which it is payable would take a great deal of time. The dealer, therefore, deposits it in the bank with which he keeps his account, where, either at once, or at latest when collected, the amount is placed to his credit and goes to swell his balance. This is the usual way in which a bank receives the paper payable at other banks. It may also be taken in payment of notes payable at the bank receiving it. Although bank notes, as well as the various kinds of mercantile paper, are so received, yet the great bulk of all such receipts, especially in the large cities, consists of checks. When the paper in question is payable at the bank receiving it, the transaction is closed by the simple delivery in the case of bank notes, and in the case of checks by charging them to the drawer, the result being, in the latter case, a simple transfer on the books of the bank from the account of the drawer to that of the drawee. Where most of the transactions of a community center in a single institution, as formerly in the case of the Bank of England, and at present in the case of the Bank of France, the larger part of the check transactions may be settled in this way. Thus at Paris,

where the Bank of France performs the functions of a great Clearing-house, its clearings or transfers reached \$6,008,243,900 in 1883, as compared with \$813,238,000 at the Paris Clearing-house. In 1881, the clearings of the Bank of France reached \$8,772,000,000, while those of the Paris Clearing-house were only \$908,600,000, the former being nine and three-fourths times the latter. To make provision for this class of business, the Bank of France furnishes special books of red colored checks—so-called, "*bons de virement rouge*"—the object of which is to enable payments to be made by their means to other persons also having an account at the bank without its being possible for any one unlawfully to obtain value for them, since they only operate as orders to the bank to transfer such an amount from the drawer's account to some other account on the books of the bank, and never as vouchers for the withdrawal of funds from the establishment. The Bank of England furnishes no account of its clearing transactions, but they must be a much smaller proportion of the total than those of the Bank of France, banking being less centralized in London than in Paris.

In this country no one bank concentrates in itself the larger portion of the business. Free banking and competition keep the banks more nearly on an equality. The larger part of the checks received by any bank, in the course of business, are likely to be drawn on some other bank, of which they must be collected by the receiving bank. As business increases in any locality, each bank is likely to have a larger number and amount of demands upon most of the other banks in the place, and they eventually become too large and numerous to be conveniently settled between the individual banks. Before the establishment of a Clearing-house in this country this method was pursued in New York long after the inconvenience became so great that it would now be considered quite intolerable. Mr. J. S. Gibbons, in his very interesting and instructive book, *The Banks of New York and the Panic of 1857*, gives the following graphic description of the difficulties attending this mode of settlement:

"During the few years following 1849 the number of banks in New York was increased from twenty-four to sixty. To make the daily exchange, one half of them must necessarily send to the other half. But this plain division of the service was not convenient or economical. It was found better for all of them to do a part of the distribution, and thus the whole sixty porters were in motion at the same time. Each carried a book of entry, and the money for every bank on which he called. The paying teller of the receiving bank took the exchange and entered it on the credit side of the book; then he entered on the debit side the return exchange and gave it with the book to the porter, who hastened to the next

bank in his circuit. The porters crossed and recrossed each other's footsteps constantly; they often met in companies of five or six at the same counter, and retarded each other, and they were fortunate to reach their respective banks at the end of one or two hours. This threw the counting of the exchanges into the middle and after part of the day, when the other business of the bank was becoming urgent.

"Instead of attempting a daily adjustment of accounts, which would have consumed several hours and caused much annoyance, it became a tacit agreement that a weekly settlement of balances should be made after the exchange of Friday morning, and that intermediate draft drawing should be suspended. The weaker and more speculative banks took advantage of this by borrowing money on Thursday, which restored their accounts for Friday, and its return on Saturday threw them again into the debit column. In this way the banks distant from Wall Street managed to carry an inflated line of discounts, based on debts due to other institutions. It became an affair of cunning management by some to run a small credit of two or three thousand dollars each with thirty or more banks, making a total of one hundred thousand dollars, on which they discounted bills. Consequently, the Friday settlements proved to be no settlements at all, but a prodigious annoyance. As soon as the paying teller or his assistant completed the exchange balance list the cashier of each bank would draw checks for every debt due to him by other banks, and send out the porters to collect them. A draft on one in favor of another might settle two accounts at once, but there was no understanding that made it possible to secure that small economy; or, if there was, it was disregarded. The sixty porters were out all at once, with an aggregate of two or three hundred bank drafts in their pockets, balking each other, drawing specie at some places and depositing it in others, and the whole process was one of confusion, disputes, and unavoidable blunders, of which no description could give an exact impression.

"After all the draft-drawing was over came the settlement of the Wall Street porters among themselves. A *Porters' Exchange* was held on the steps of one of the Wall Street banks, at which they accounted to each other for what had been done during the day. Thomas had left a bag of specie at John's bank to settle a balance which was due from William's bank to Robert's; but Robert's bank owed twice as much to John's. What had become of *that*? Then Alexander owed Robert also, and William was indebted to Alexander. Peter then said that he had paid Robert by a draft from James, which he, James, had received from Alfred on Alexander's account. That, however, had settled only half the debt. A quarter of the remainder was canceled by a bag of coin which Samuel had handed over to Joseph, and he had transferred to David. It is en-

tirely safe to say that the presidents and cashiers of the banks themselves could not have untangled this medley. Each porter had his tally, and by checking off and liberating first one, whose account was least complicated, and then another, they finally achieved a settlement.

"This scene was re-enacted on every Friday. In consequence of the porters being withdrawn from their regular service in the bank, extra labor was imposed on others, responsibilities became mingled together, and the officers were kept for the whole day in a state of distraction and anxiety. The paying tellers were subject to frequent interruption, as they were obliged to receive and deliver all specie.

"Not the least irritating feature of the case was that a single small draft by any one bank on any other induced a general drawing, and all became involved in commotion and 'war' upon each other. If time were allowed, the debtor banks would finally be obliged to pay the liquidating balance; but three o'clock arrested the process, and the banks where the demand was then in force were obliged to disburse the coin. It was not unusual for a debtor bank to add fifty thousand dollars to its specie at the close of the day, with its debt doubled, while a creditor bank to half a million in the general account, would find itself at three o'clock depleted of one or two hundred thousand dollars in coin."

This, it will be noticed, was when the bank settlements at New York could not have reached to one-sixth of their present amount. It may be safely affirmed that the vastly larger transactions of the present day could not be settled in the old way. It was not until after much deliberation and considerable opposition that a Clearing-house was established at New York, but the success of the experiment soon dispelled all doubts of its utility and necessity, and led to the adoption of the system in other cities.

#### ORGANIZATION OF THE CLEARING-HOUSE.

To establish a Clearing-house a number of banks associate themselves together, under certain regulations more or less elaborate, according to circumstances, for the purpose of settling daily, at one time and place, the mutual demands arising between the banks. The officers of such an association are usually a president, or chairman, a secretary, treasurer and manager, with a Clearing-house committee, and such others as the wants of the association require. At New York, in addition to the Clearing-house committee, there are a committee on conference, a nominating committee, a committee on admissions, and an arbitration committee. The manager is sometimes chosen by the association, usually by the Clearing-house committee, which generally has charge of all matters incidental to the operations of the association not otherwise specially provided for. The larger Clearing-houses have also an assistant manager. The salary of the manager is fixed pursuant to the rules of the associa-

tion, and he gives bonds with approved sureties for the faithful discharge of his duties. At New York the manager gives bonds for \$10,000, clerks for \$5,000 each. He has, under the control of the Clearing-house committee, immediate charge of all business at the Clearing-house, so far as relates to the manner in which it shall be transacted; and the clerks of the establishment, if any, as well as the settling clerks and porters or messengers of the associated banks, while at the Clearing-house, are under his direction.

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### THE CONDITIONS OF SAFE BANKING.

The following paper was read at the Convention of the American Bankers' Association by B. B. Comegys, President of the Philadelphia National Bank, of Philadelphia, Pa. :

I think it well to turn aside from the great principles of finance and banking, which have been, or will yet be, discussed by other members of this Convention, and devote the time before me to some observations on a few of the more simple and homely features of the business in which we are all engaged.

Until quite lately we thought it worth while to have our own views of legal-tender notes as one of the factors in the currency; and some of us held this short theory, that if Congress had the right to issue legal tender notes in time of peace, there could be no need for any other currency; but that, if Congress had not this right, then the only circulating notes should be those issued by the National banks. This latter view we thought to be sound, but all our cherished views on the subject are of no practical value whatever in the light of the recent decision of the Supreme Court; and all our big talk about the dishonest silver dollar which Congress creates at the rate of two millions per month, and makes us take at the value of one hundred cents in gold, goes for nothing; for our masters at Washington are not likely to be affected in any way by anything we say or do on the subject.

It seems hardly worth while, therefore, to vex ourselves about things so entirely beyond our reach. Let us address ourselves to something which we can control.

If we do not learn some useful lessons from the sad experience of the last three months, it will surely be because we are not willing to learn. The teacher is stern, exacting, inexorable; and if the pupils are not taught wisdom they should be expelled from school, and seek other means of education, or other occupations.

What are some of these obvious lessons? One is that there seem to be some persons engaged in managing banks who have very inadequate ideas of the gravity and responsibility of their position. They are inexperienced, and so at the mercy of unprincipled men; or filled with conceits, and so unteachable; or so inordinately greedy of profit that they will carry more sail than they can safely do, intending to hold out signals of distress to stronger vessels in the fleet, under the hope, which ripens into *assurance*, that they will not be suffered to go down.

The cause of the disastrous occurrences within the last three months in one of our cities, and which have been mainly limited



to that city, is not far to seek. When the National Banking Act was enacted, the banks in the Atlantic cities were most unjustly obliged to redeem their circulating notes in the City of New York. Protests against this arbitrary feature were unavailing; but, as a compensation for the wrong, such banks were allowed to keep one-half of the reserve required by law in the banks of that city, and count it as *cash*. This opened a door of profit within the law; a tempting bait, indeed, to banks, who could thus make one-half of their reserve *interest bearing*. This has gone on until the banks in the city referred to came to hold the reserve of nearly all the banks in the country: a fund of many millions of dollars, most of it presumably on instant call. It needs no discussion to show that this became a condition of extreme peril, for everyone knows that call money cannot safely be invested in time paper. What then? Why, his call money must be lent on call to bankers, brokers and stock gamblers (the distinction is clear between these three classes), and on pledges of such stocks and other stuffs as have an apparent market value.

It is very well known that "call loans," no matter how good the security pledged for them, do not always prove to be call loans. It is within bounds to say that, ordinarily, they do not yield more than half their amount. For all banks resort to them for investments of what is called "minute money," and in time of need all are likely to call at once; and, even if they are responded to promptly, it will be found that certain deposits, not apparently connected with the borrower, and which had been counted on as somewhat permanent, have melted under the appeal; and about one-half the call, or the enrichment to come from the call, has been discounted.

The banks in the city referred to have become pretty thoroughly aroused as to the dangers of their position, and through their very able Clearing-house Committee have grappled with the subject. Their arguments for the abolition of interest on deposits are very forcible, and sound principles of banking are on that side; but some of us who live outside of that charmed circle have doubts that the revolution (for it is a revolution) will be successful.

There is a better way than this to meet the question, and a much more simple way. The redemption of notes is now effected by the Treasury at Washington, and by the issuing bank at its own counter. Thus, a gratuitous wrong has been righted. Now, let the National Banking Act be so amended that a bank shall not be permitted to count as a part of its reserve any cash outside of its own vaults, except where the associated banks in a city make one of their own number a depository for the common use of all, in which such deposits are represented by Clearing-house certificates.

If this Association could be induced to adopt a resolution calling upon Congress to pass such an amendment to the Act, the question of allowing interest on bank balances would shrink to insignificance, and might be left to settle itself.

Let the honor of moving such a resolution be enjoyed by some representative of that city which has received the greatest benefit from that feature of the law, and which has suffered most in consequence; and I call upon you, gentlemen, brethren in a good cause, to adopt such a resolution by this Convention. Let us commit ourselves to the *right* in this most serious question; then shall capital, which has been forcibly diverted or enticed from its home, flow back into its true channels, and the National banking system, which, in most

respects, if not in all, is the best the world has ever known, be strengthened at its sources in the several banks. A good so great as this is worth a sacrifice to secure; for it is a well-known fact that any great force disturbed in its natural functions becomes an element of real danger; and hired capital or call money, as a basis of business, is most uncertain.

Here is another very brief suggestion in the line of sound banking:

Let a credit ledger be opened in the Clearing-house of any city, in which shall be kept a record of the names of payers and endorsers, amounts and maturities, of all bills of \$1,000 and upwards, held by the various banks, which have been bought from brokers. Reports of such paper to be made to the Clearing-house anonymously, and information concerning such names to be given only to members of the Clearing-house. Large sums of money may be saved to banks by this means of information.

We who have charge of the banks in this growing country control an enormous power; but unless we can work in harmony, our forces are greatly crippled. We do not see enough of each other; the opportunities of meeting are too rare. We are good men and true, else we should be out of place where we are.

For some years past the Scripture saying that "the borrower is servant to the lender" has been reversed, and the lender has been servant to the borrower. The banker has been servant to the merchant or the broker, and has been treated as servants generally are treated, obliged to accept such terms as were offered; but it looks a little as if our turn had come round again, and as if we might state our terms once more. Do not let us delude ourselves and get proud; for this reason, among others, that this condition of things may not continue.

We are not titled men. We wear no stars nor epaulettes on our shoulders—no laurel wreathes on our brows. There are no doctors in finance. We are not counted among the learned professions. In fact, we are not counted a profession at all—only tradespeople.

But we have been of some service to the State. We contributed a fair share of officers and men, who went to the support of the Government in the dark days of the war; and those of us who did not go to swell the ranks staid by the staff. We had charge of the *sinews of war*, but for which the war could not have been prosecuted as it was. First, we gave our capital; that is, the money of our stockholders; and when that was all gone, we gave our depositors' money also. And no better work was ever done.

Was not this heroic? And we never speak of ourselves as heroes, but only as trustees—a most self-denying and poorly-appreciated class of men, trying to make money for other people.

There are few positions of trust where the temptations are greater to use other people's money improperly than among bank officers and clerks; yet, when we remember that among the scores of thousands of such trusted people there is here and there only one who betrays his trust—not enough in number to make an appreciable percentage—it may well be asked whether men in the professions so called, or in any other business, can show a cleaner record.

We live in times when to be a bank officer is to be an object of suspicion or apprehension; and we ought to be men of clean hands. No temptation to enrich ourselves by the use of other people's money ought to be listened to for a moment. No specu-

lation in stocks, even with our own money, ought to be entered into. If we must operate or speculate in stocks, let us get out of the positions of bank officers, and go on the street as private capitalists.

A bank may be said to be in good condition when it has an adequate capital (not too large); a contingent fund at least half as large; and no suspended debt or over-due paper; when its deposits are free of interest and three or four times the amount of its capital; when its dealers supply it with business paper to the extent of its needs; when liberal salaries are paid to its officers and clerks; when there is a trained man in reserve for every position that may become vacant; when there is a pension fund adequate to the comfortable support of its worn-out clerks; when it has a board of directors who are not content to be mere figure-heads, but who understand their business and remember their qualification oaths; directors who count the cash frequently, and without notice to anybody; who insist that every person employed in the bank shall take a vacation of at least two weeks every year, at which time another person shall do his work, and who believe in this dogma, that "nothing is good enough that can be made better."

I know something of a bank that has lived eighty years, and has paid to its stockholders an average of more than nine per cent. per annum during all that time; that has accumulated a profit and loss account of about two-thirds of its capital; that has provided an adequate pension fund for its superannuated clerks; that has never been behind its neighbors in matters of great public interest; that has graduated in a single generation, from its staff of clerks, nearly twenty persons to high positions in its own or other institutions, four of whom became bank *presidents* and nine became bank *cashiers*; the others being secretaries and treasurers of large corporations, and one has gone into the Christian ministry.

There are two kinds of government for a chartered bank.

1. *Personal government* or government by the president, who manages the bank as if it were his personal property; making loans and discounts according to his judgment and reporting to his colleagues of the board just as much as he pleases and no more.

2. The other kind is *representative government*, where the president is the executive officer, carrying out, as far as he is able, between boards, the wishes of his colleagues, and reporting faithfully to them at their stated meetings all that he has done.

There are two principles of management of the current business of a bank.

One is *strength*, which, under all circumstances, is to be the first consideration. By this is meant that no greed of gain, no desire for large dividends, no ambition to put up the price of the stock, shall induce the management to lose sight of the cardinal principles that in *strength* only is safety.

The other is *profit*. As a rule, the inexperienced men are those who are most anxious for large immediate profits. They can't wait. Not content with the golden egg every day, they want to draw on the goose sometimes for two or three eggs a day, and—you know the fable.

I submit these two principles of government, and these two methods of daily management, most respectfully to your consideration, gentlemen, well assured that you will agree with me that a *government of directors*, with *strength* as the cardinal principle, is the best for a chartered bank.

## THE BANKERS' CONVENTION.

The American Bankers' Association held their annual meeting at Saratoga, on the thirteenth and fourteenth of August, in Putnam Music Hall. A large representation of prominent bankers was present, and the sessions were marked with much interest. Many of the papers read or presented were highly practical, and are worthy of careful study. We have not space to give a full report of the proceedings, and there is less need for doing this, because the proceedings are published by the Association. We present, therefore, only a brief account of what was done; elsewhere will be found some thoughts pertaining to the Association and its possibilities, which we trust will be considered worthy of attention.

The meeting was called to order by the President, Lyman J. Gage, Vice-President of the First National Bank of Chicago. After the offering of prayer by the Rev. Dr. Harper, of Philadelphia, the president read his inaugural address, which will be found earlier in the present number. The address is an admirable production, and after its delivery the treasurer's report was read. It showed a balance on hand, October 5, 1883, \$4,397; receipts, \$10,749; total amount \$15,146; disbursements, \$8,752; balance on hand to date, \$6,394.

Secretary Marsland read the following resolution submitted by the executive committee:

*Resolved*, That it is the sense of the American Bankers' Association that the coining of the standard silver dollar of 412½ grains is against the welfare of the country, and that they recommend to Congress a discontinuance of such coinage.

George A. Butler, of New Haven, spoke at length upon the resolution. He concurred with its sentiments, and thought that the coinage of silver should be suspended until other countries joined with the United States.

On motion of H. W. Hughes, of Cincinnati, a committee of three was appointed to wait on the Hon. William Groesbeck, of Cincinnati, and invite him to speak upon this question.

The committee followed out their instructions, and Mr. Groesbeck responded. He favored bi-metallic currency, and went on to show that for centuries gold and silver had been of equal value as currency. The change took place in 1871 or 1872. What had been done in the past could be done in the future. It might be impossible for one country to carry gold and silver alone for its currency, and he favored, under present conditions, the suspension of silver coinage in the United States until other nations took action on the subject.

A vote of thanks was extended to the speaker, and the resolution was put and carried.

The following resolution was then adopted:

*Resolved*, That in view of the fact that the articles of association of the National banks of the country are rapidly expiring without sufficient inducement for renewal, owing to the constantly diminishing amount and high price of Government bonds upon which the bank circulation is based, thus threatening a serious curtailment of the currency of the country, and since a bank-note circulation, absolutely secured and issued under ample safeguards

for its redemption on demand, in coin, is necessary for the convenient transaction of the business of the country, and such condition can be best provided through the continued operation of the National Bank Act, as has been attested by the experience of the last twenty-one years, the attention of the Congress of the United States be urgently called to the necessity of immediate legislation to meet the important emergency.

Judge Poland, of Vermont, one of the committee on commercial paper, made a report on the subject. Commercial paper, he said, is an important part and factor in all commerce, and, so far as negotiable paper is connected with trade, Congress had full jurisdiction over it. He thought that the bill went farther than Congress has power to go. The present House of Representatives is not favorably constituted to pass upon the subject of National banks. Congress should be asked to pass a law to go to any extent that Congress has jurisdiction.

The matter was referred to the executive committee to press the matter to early action.

Secretary Marsland then read a paper on "The Banking and Currency System in its relation to the Business of the Country," furnished by Hon. Hugh McCulloch, of Washington, who was unable to be present. We give below a brief abstract. After referring to the excellence of the National banking system and the advantages gained through it, Mr. McCulloch says:

That it has not been more effective in this direction is attributable to the fact, that while in the management of the banks party politics have been ignored, the Comptroller has, in some instances, been forced to yield his better judgment in the appointment of examiners to the pressure of politicians who have had friends to be served or supporters to be rewarded. Having had, in years long passed, a good deal of experience in the examination of banks, I know how difficult of performance the duties of a bank examiner are, and what his qualifications should be. The great value of the National bank, nay, its very existence, depends upon the security of the notes issued by the banks which are organized under it. This security consists of Government bonds, which are deposited with the Treasurer in Washington. Nothing else will answer the purpose. Bank notes should always be redeemable in coin, but they would never be issued if they were to be protected by an equal amount of coin in the vaults of the banks. They must, to a large extent, be based upon credit, and there can be no credit reliable enough for the basis of a National paper currency, except the National credit. Nothing, therefore, but the bonds of the Government can perfectly secure a National bank-note circulation. Of these bonds the National banks are being rapidly deprived, and will be soon deprived altogether, unless the public revenues are largely reduced. The country must be supplied with a paper currency of some kind, and the question arises, of what shall this currency consist? Certainly not of the notes of State banks, because if such notes could be perfectly secured their credit would be local; they would not be current throughout the Union. But they could not be perfectly secured. The existing legal-tender notes are popular with the people, so popular that, if the notes of the banks should be retired, there would be an irresistible demand for further, if not unlimited, issues. It is not difficult to correctly predict what will be the financial condition of the country when the notes of the National banks are withdrawn from circulation, and the existing restriction upon the issue of United States notes is removed.

There will be just what I predicted in October, 1865, another "period of hollow and seductive prosperity, to be followed by widespread disaster." Other nations have resorted to the issue of Government notes when bankrupted by war or extravagance. History informs us of the result. Whether the result will be different when the notes are issued by a government of abounding resources and with a full Treasury will be ascertained when our National banking system shall be numbered among the things that have been.

Mr. B. B. Comegys, President of the Philadelphia National Bank, read an interesting paper, which we have given elsewhere. Some of his suggestions deserve immediate attention, especially the opening of a credit ledger in the Clearing-house, for the purpose of keeping a record of the names to paper.

Mr. W. P. St. John, President of the Mercantile National Bank of New York, discussed the "Potter Refunding Bill." It proposes to refund the existing public debt into two and a-half per cents. by means acceptable to Government creditors, and certainly advantageous to the Government. The two and a-half per cents. to be offered in exchange for the three per cents., are to be payable at the pleasure of the United States, and the exchange to be made at par. The two and a-half per cents. to issue in exchange for four per cents. to be paid at the pleasure of the United States after 1907, and two and a-half per cents. to issue for four and a-half per cents. payable after September, 1891. The tax on circulation to be reduced one-half, and hereafter the surplus moneys shall be applied to either the calling of bonds or the purchase of those not due, according as either course will effect the greater saving of interest to the Government. The plan of exchange of four and four and a-half per cents. is by a Government payment of such a sum in cash in each case as will equal the present worth of the aggregate interest on the obligation from which the Government is released in the exchange.

An elaborate paper was presented from E. K. Olmstead, of New York, giving a succinct view of the conflicting legislation of the States in regard to commercial paper, which also suggested remedies, by State or federal legislation, for the evils which are thus arising under our rapidly growing volume of inter-State commerce.

A number of tables were presented from Hon. H. W. Cannon, Comptroller of Currency, illustrating the increase of State banks and private banking institutions in various sections of the country during the last ten years, and showing the new tendency which in some States has been observed recently for the State and private banking machinery of the country to grow with greater rapidity than that of the National banking system.

Charles S. Grahame, President of the Ninth Ward National Bank of Newark, N. J., read a paper on the continuance of National banking currency, which was received with favor.

Eben Sutton, President of the First National Bank, Salem, Massachusetts, remarked that in surveying our banking system he could see in it only one serious defect: that of the iron-clad restrictions upon the issue of National currency, thus destroying entirely its elasticity, and the most valuable feature in all paper currencies.

William Ernst, President of the Branch Northern Bank of Kentucky, Covington, presented a valuable paper on the banking situation, with suggestions tending to prevent panics and make our banking system more responsive to the wants of business, especially in periods of monetary perturbation and commercial pressure. This paper we hope to present in our next number.

For any permanent relief, and to avoid falling again into the old State system, with all its dangers and disturbances of the exchanges, we must have a larger basis for our currency, and praise be to the man who shall present one both safe and practical.

Panics, like offences, he believed must come certainly in all countries highly civilized, and with an immensely extended credit system like ours; and our banking arrangements should be such as to check or break their disastrous effect as far as possible.

Two policies may be pursued at these crises, one which shall aggravate and protract them, or one which shall ameliorate, soften and curtail them—the former one of timidity, restriction and hoarding; the latter, one of forbearance and discriminative and generous confidence. The recent remedial and protective combination of banks in New York City, during the late panic, was of the latter policy.

All the banks in the National bank system are connected by an indissoluble bond, and one member cannot perish unless the others suffer also.

Daniel Geary, Cashier of the First National Bank of Albuquerque, New Mexico, offered the following suggestions with reference to Raised Drafts: "It strikes me that a secret cipher code might be adopted by all banks and bankers respectively, to be printed and circulated under the authority of your Association, containing also the signatures (copies) of officers authorized to sign drafts and C. Ds. on behalf of any such bank. The cipher indicating the number of hundreds or thousands of dollars for which a draft is drawn, to be entered upon the face or back of every such draft. This book or pamphlet to be sent to all banks on payment of a stipulated sum, to cover cost of publication, and to be kept in the exclusive and careful custody of the managing officer, for reference in all cases of doubt, or when drafts are presented by strangers. Such a system would give the earliest possible information of any change from original amounts, and obviate the necessity of telegraphing to ascertain the true amounts. All changes of signatures of signing officers to be reported monthly and distributed. I should be glad to have you present this scheme to some bank officer of New York of long experience for his views; for to me the plan looks feasible and of great utility. The cipher could be changed annually if deemed advisable."

Mr John Thompson, President of the Chase National Bank of New York, presented papers on the Silver Question and on the Prevention of Panics. We extract the following on the latter subject:

*First.*—One extreme is followed by the opposite extreme. The "boom" of 1878, 1879 and 1880, was but the forerunner of the recent disastrous and deplorable reaction. *Secondly.*—Great prosperity is demoralizing. It stimulates the almost universal desire to get rich in haste; commercial and financial gambling grows rank, opening a broad road, a double track, down grade to bankruptcy, defalcation, domestic misery and suicide. *Thirdly.*—Good men often lose their head in a "boom," as exemplified by the unfortunate position of a number of prominent bank officials in New York City, as well as a hundred or more brokers, and another hundred merchants. The prevailing idea is that men lose their heads in a panic; the panic only develops the fact that they lost their heads in the "boom." *Fourthly.*—Bank officers should manage their bank and live on their salaries. Depositors and stockholders forfeit all sympathy if they tolerate a speculating official to stay one hour in charge of their assets. Turn the speculator out or get out yourself.

Figure-head directors should also go, or be held individually liable. *Fifthly*.—Congress has failed to act on a measure which I advocated at our last Convention, and which I now beg to reiterate, as follows: *Whereas*, The advantage and the necessity of providing for an increased or extra issue of currency, which will meet and break the force of financial revulsions, and protect business interests, has been practically and successfully demonstrated in England; and *Whereas*, Existing laws in this country are entirely wanting in any provisions of this character, therefore, be it

*Resolved*, That this Convention recognizes the necessity of legislative action to provide for the protection of the vast and continually increasing monetary interests of this country in times of financial revulsion, such as recur periodically;

*Resolved*, That Congress should enact a law investing the Secretary of the Treasury with full power to receive any United States bonds not exceeding in amount \$100,000,000, and to issue therefor currency notes equal in amount to the par value of the bonds deposited, and accrued interest on the same. Interest on the bonds while on deposit to accrue to the Treasury. Depositors to be allowed to redeem bonds at any time, without notice. Bonds so deposited to be subject to a call for redemption upon sixty days' notice from the Secretary, and to be forfeited to the Treasury upon failure to respond to such call. The Secretary, in the exercise of the authority so delegated, to act by and with the advice and consent of the President of the United States, and under such further restrictions as the wisdom of Congress may provide to guard against its improper exercise.

*Resolved*, That the Executive Council of this Association are hereby requested to adopt, as they deem best, the needful measures for properly laying this matter before Congress.

It requires an elaborate study to understand that this measure, had Congress adopted it, would have allayed the apprehension of disaster, particularly with Savings bank managers. It will be observed that the proposed measure does not limit the issue of currency to banks, but embraces all holders of United States bonds.

The Clearing-house action of pooling assets and compelling the strong banks to sustain the weak, seemed a wise measure under pressure, as it warded off a general suspension. At the same time, such a course is open to grave objections, as the banks thus associated are deprived of individual freedom of action, and the measure which I have proposed for the consideration of Congress, would provide far more desirable means of protection in times of panic.

The panic, in connection with our bank management and Clearing-house legislation, has made apparent the necessity of a large and independent institution in the City of New York, where the banks of other cities can keep their reserves and surplus balances—feeling certain of their controllability when needed, and also sharing in the interest that can be safely earned on such balances—a bank that will be to this country what the Bank of England is to Great Britain. The time is now auspicious for organizing such an institution, and the National Bank Law is adequate, and invites its organization. The stock of this Controlling Bank should be taken mainly by banks, trust and insurance companies.

The idea has been advanced that the National banks cannot subscribe to the shares of such an institution. This is an error.



They do invest in stocks and bonds less legitimate than such a subscription. An interchange of opinion in this movement, to ascertain its chances of success, is recommended, and after the Presidential election, a meeting of bank officers should be held, that its merits and demerits may be fully discussed.

The system of Country Clearing adopted in Great Britain was the subject of an excellent paper by Robert W. Barnett, of London. Mr. Charles Jenkins, President of the East River National Bank of New York, also presented a paper on the Collection of Country Checks. He said, in part, the expense and delay are not the only evils in the case, but the usage places the banks in the position of lenders of money without interest, and without knowing anything about the security. The checks are deposited with the receiving tellers, who know but little about the dealers, and neither dealer nor teller knows whether the check is good at the bank it is drawn upon. The practice is of no benefit to a responsible dealer, for if his balance is all the time sufficient to cover the checks while collecting, he is not benefited by the apparent increase of his deposit, while the bank is put to the needless expense of taxation and reserve, by placing those items in the deposit account instead of in the collection account, where they properly belong.

Solvent depositors should object to having the bank they deal in made unsafe by any such practice. During the late panic, necessity forced the banks who had been unwise enough to initiate the practice, to refuse to continue it, and the banks have several times been compelled to propose the adoption of the rule recently under discussion at the New York Clearing-house, expelling all banks from its privileges that credit as cash checks which are not payable through the Clearing-house.

Checks on city banks, if not good at the bank drawn upon, are returned forthwith, giving the opportunity of returning any check that may be drawn upon such deposit unpaid; but when country bank checks are received it takes several days to hear whether they are good or not. In the meantime the depositor may have drawn upon them.

Any dealer having a post-dated check on a city bank would, if he wanted to use it, ask to have it discounted. In that case the bank is paid for the advance, and has the opportunity of judging whether the parties are worthy of credit; but a bank in receiving country checks as cash is lending money, without pay, and running the risk blindly without any knowledge on the subject. The practice also opens a wide door for kiting and fraud. It is hoped that the American Bankers' Association will act upon this important question, which is of general interest, and is attracting the attention of banks and Clearing-houses all over the country. It is an anomaly in our financial system that the banks, besides incurring expense in collecting these checks, should lose a great deal of interest through advancing on them before the collections have been made, the period of such interest being from three to fifteen days, and should also be compelled to hold twenty-five per cent. reserve of idle money against such deposits, which cannot be used by the banks. It is easy to see that to this extent there is solid ground for the banks resisting this usage. At the same time the services thus rendered by the banks to the public are so essential to commercial convenience that it is in the highest degree important that no hasty measures should be taken to enforce the just rights of the banks in the case.

So far as New York is concerned the usage has assumed its present dimensions from the habit into which country correspondents have fallen of remitting in checks instead of by bank drafts collectable in New York. There is no justification for that custom. The remitter thereby gains a few days' time, to which he has no right; and his check has to be sent back to the place of issue to be collected through a bank draft, which could as easily have been sent at first. It may not be easy to remedy this abuse, but it would be well for men of business, if they wish to avoid threatened inconvenience and expense, to insist, as far as possible, that their country correspondents substitute bank drafts on New York for their own checks in making future remittances. Perhaps it might be well for the banks, by common consent, to enforce this rule as far as they can. If there is no abatement of the abuse, the banks might properly adopt the other remedial measures which have been suggested for their protection, and for the general safety, convenience and advantage of the business of the country.

A paper was then presented from Mr. N. B. Sligh, Cashier of the Texas Banking and Insurance Company of Galveston, Texas, "On the Uses and Abuses of Banks," in which he asked, How shall the surplus funds of a bank be employed to the best uses? Obligations, the value of which are represented by the products of our country, raw material or manufactured goods, are the most desirable purchases for banks.

*First.*—Because the securities they represent are for sale, consumption or use, and conservative advances made on them, under prudent safeguards, are sure to be returned with consideration for use. *Secondly.*—Because the lender can reasonably calculate upon the return of the funds at the time specified. *Thirdly.*—Because this directly assists and encourages the material interests of our common country.

The next best business is that represented by the paper of merchants engaged in legitimate ventures where the funds are believed to be intended for the benefit of the success of such ventures. By reason of the fact, however, that merchants and manufacturers offer special inducements, thus escaping any risk, purchasers in good standing float their notes, take advantage of the inducements, and thus relieve the market of the best class of commercial paper. The banks, not finding enough of this, accept other indorsed paper, not always knowing whether the funds are to be used for legitimate or speculative purposes. Herein the banks are sometimes used to foster speculation, and thus abused.

It may be a broad assertion, but it is believed to be true, that loans sought to be obtained upon one name paper with collateral securities of stocks or bonds, inevitably partake of a speculative nature, else why do they not liquidate, realize on the property and avoid borrowing? The answer is plain. A bank may conduct its affairs successfully a long time, but there will come a day, when having made such loans, it will share some of the losses. Money thus lost or tied up is diverted from uses more beneficial to itself and that public it is always ready to serve when properly directed.

The burden of providing for the wants of the various legitimate interests of the country should be borne equally by the banks in general. But to do this successfully demands the exercise of conservative principles, and a sturdy refusal to enter into any scheme of lending money at enticing rates on speculative securities.

Should not a bank make money? By all fair means, yes! Capital is entitled to and should receive compensation for its use. But let it be earned in the good old way. A fair and honest compensation for fair and honest use. A banker should refuse to lend money on securities at fifty cents on the dollar of their market value, if he does not have faith on their basis, for by doing so he thus encourages the building of a structure that may fall, and if it does not catch him, will make his neighbor suffer. With such recurring disaster to the financial world, those who are entrusted with the management of banking institutions look about them for the causes that led to it, and begin to hedge against further threatened results. This is right, but great care should be exercised lest they may disregard the obligations they are under to the very interests of the country to which they have been and always will be indebted for their best business.

A serious abuse of a bank is to conduct it solely with a view of making money without reference to its contemporaries or the interests of the various industries of the country. Dishonest practice, of whatever nature, is that kind of abuse that not only brings ruin to those practising it, but brings down many innocent people, disturbing, as we have recently seen, the very existence of that which holds government and society together. These lessons it is our privilege to study.

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The second day's session was called to order at 10.45 A.M.

The election of officers was first in order. The list remains the same as last year, with the following exceptions: E. Francis Riggs, of Riggs & Co., bankers, Washington, for the District of Columbia; Joseph H. Oglesby, President of the Louisiana Bank, New Orleans, for Louisiana; Abraham O. Bigelow, President of the Massachusetts National Bank of Boston, for Massachusetts; and Isaac Danforth, Jr., President of the First National Bank of Richmond, for Virginia; in place of the retiring Vice-Presidents.

George S. Coe, President of the American Exchange National Bank of New York, was made Chairman of the Executive Council, and James H. Bouvé, President of the Boston National Bank, J. H. Millard, President of the Omaha National Bank, and Hon. John J. Knox, President of the Bank of the Republic, were elected members of the same council.

The following resolution was carried:

*Resolved*, That an auxiliary membership, to be called "associate members," shall be established, the qualifications of which shall be: First, service in any bank or banking establishment for a period not less than five years; second, passing an examination upon such subjects as shall be prescribed by the executive council.

*Resolved*, That a committee of three be appointed by the chair to consider and perfect a plan for the practical application of the ideas contemplated in the foregoing resolution, and to report the same, when perfected, to the executive council.

The following resolution was adopted:

*Resolved*, That the thanks of the Association are due to the newspaper press for publicly exposing and denouncing certain schemes for blackmailing the banks and bankers of the country through publications and illegal demands sent to them through the mails, and that the banks and bankers be cautioned against noticing or responding to such demands.

Judge Poland, of Vermont, made a reference to the Potter Refunding Bill, as read yesterday, and spoke of the sound sense it

contained, and concluded by calling upon Mr. Potter, of New York, the originator of the banking system of the country, and whose views are embodied in the above bill, to make some remarks. Mr. Potter responded, and took the platform amid loud applause. He made a brief reference to the present banking system as one to which he gave his early attention. He did not want the system used to perpetuate the National debt, but to be useful as long as the debt remains. He hoped the bill would be favorably considered in Congress. If passed, its effect would be to place our banking interest upon as high a plane as that of any nation in the world.

The following paper on Corporate Suretyship was offered from General Richard A. Elmer, Vice-President of the First National Bank, of Waverly, New York, and President of the American Surety Company:

I beg leave to invite your attention to the practical advantages offered by the system of corporate suretyship, which is rapidly superseding the old methods of personal sureties in this country, more particularly as applied to the requirements of banks and banking institutions in the matter of security from officials and employes.

The system relieves the officials of the bank from a great deal of troublesome detail and needless anxiety. 1st. In looking after a multitude of sureties. 2d. In keeping informed as to the continued solvency and ability of individual sureties to meet their obligations, should a claim for loss arise. 3d. In substituting new sureties when the original ones die, withdraw or become insolvent.

The system offers to banks a more reliable and tangible form of security than that of private suretyship, which is affected by death, insolvency, and other circumstances. The insurance of corporate bonds tends to promote personal honesty and good character, as these prerequisites are the material conditions on which they are furnished to the applicant. This basis of security is better than the influence of purely private interests, family relationship, or pecuniary resources. The annoyance and vexation of seeking sureties on the one hand and of being asked to become surety on the other, increases with the growth of the community, and what was ordinarily a simple act of friendship in a small community, where everybody knew and could watch everybody else, has become onerous and vexatious to a large degree in a large city.

No small amount of misery is frequently occasioned by the enforcement of liability against private sureties, who often assume obligations which they should not incur, and cannot afford to discharge. Many individuals yield to importunity against their better judgment, and out of kindness to their friends forget their obligations to their families. Besides this, they are impressed with the idea that there is no probability of their being called upon to make good any claim arising under the bond.

Corporate suretyship has been the only system of suretyship in England for many years, and its adoption in this country affords to the community at large a sure means for self-protection. The security offered is better because it is furnished by a company which derives its legal existence from the State, having a fixed capital, and in addition thereto a reserve of fifty per cent. of all premiums received, as required by law. Being under the immediate supervision of the State authorities, its continuous solvency is assured and its assets readily available. The extent of the security is therefore placed beyond doubt.

With the individual bondsman the case is entirely different,

though his guarantee may be a good and valid one when given, its continued value is at all times contingent on his financial condition, which may be affected by success and reverse in business. Besides this, it is frequently the case that a private surety at the time of executing a bond is actually in a state of fancied solvency or concealed insolvency; the secrets of his affairs are in his own keeping, and it is impossible to scrutinize or exercise a supervision over his ability to meet the obligations he assumes.

Again, the contract with a company being renewable annually (as its bonds are issued for one year only), evidence of its solvency, or otherwise, can be easily obtained and assured whenever desired. On the other hand, it not infrequently happens, in the case of private suretyship, that the surety is not heard of for a series of years, and in the event of a claim arising under his bond, he is either dead or his whereabouts unknown; or, if found, is utterly unable to indemnify the claimant. The amount claimed is more speedily recovered, the bond of the company being so explicit as to leave no room for doubt, controversy or litigation in the adjustment of claims thereunder.

The corporation acts as surety on business principles, and with the full knowledge that in the nature of things a certain percentage of the amount of obligations it assumes will become claims for indemnity. Its premium rates are carefully computed and established from long experience on the positiveness of the laws of average, while its risks are all isolated, and therefore not subject to any epidemic of losses, as is the case with the risks of life, fire and marine insurance companies.

A number of papers were read, to some of which reference will be made hereafter, our space not allowing further extracts than those made at this time. Among these papers was one by Mr. George Hague, Manager of the Merchants' Bank of Canada, on "One Name Paper," which elicited especial praise. This subject possesses a peculiar interest just now, and we hope to find room for it in a future number.

The Convention then adjourned *sine die*.

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**TENDER—MUST BE UNCONDITIONAL.**—An offer of payment, to constitute a tender, must be understood as a tender, absolute and unconditional; and to treat an offer of payment conditional upon a discharge from the whole debt, as a tender, is a fatal error. 2 Greenl. Ev., § 602, *et seq.* The alleged tender in *Hunter v. Warner*, 1 Wis. 141, was, "Warner said he had the money, and it should be paid when due; that he was ready to pay," etc. It was held no valid tender. "An offer with the understanding that it shall be accepted for the whole claim or the disputed claim is not a good tender in law." *Latham v. Hartford*, 27 Kan. 249. "A tender is not good accompanied with a demand for a discharge of the whole debt." *Richardson v. Boston C. Laboratory*, 9 Metc. 42. "I showed him \$500, and told him he could have it for his claim." This was held conditional, and a mere offer of payment, and unavailing as a tender. *Tompkins v. Battie*, 11 Neb. 147; 7 N. W. Rep. 747. "An offer to pay to satisfy the whole debt," was held no tender in law, in *Thomas v. Evans*, 10 East 101; and to the same effect are *Glasscott v. Day*, 5 Esp. 48; *Lancashire v. Kellingworth*, 2 Salk. 623; *Clark v. Mayor, etc.*, 1 Keyes 9; *Thayer v. Brackett*, 12 Mass. 450. [*Elderkin v. Fellows*. Iowa Sup. Ct.]

## RIGHT OF BANK TO PURCHASE NOTES.

## SUPREME COURT OF ILLINOIS.

*First National Bank of Greenville v. Sherburne.*

Where a note was indorsed in blank by the payee, and before maturity delivered for value to the appellant bank through its cashier: *Held*, that the fair and reasonable presumption from the fact that the note was taken in "the usual course of business" of a National bank would be that it was discounted; that although in form and in common parlance it was a purchase of the note, yet in substance it was a loan by way of discount made by the bank to the payee, and the relation of debtor and creditor as between them was created.

In the absence of Federal or binding authority as to the construction to be given section 5,136, U. S. R. S., the court places its decision upon higher ground, and is of opinion that a purchase may be made by way of discount, equally as well as a loan may be made by way of discount.

Discount means, *ex vi termini*, a deduction or drawback made upon advances or loans of money upon negotiable paper or other evidences of debt payable at a future day, which are transferred to the bank.

Where a note, before maturity, was taken by the cashier of a bank in the usual course of business, and he had no notice or knowledge of the contract of warranty in regard to the machine sold, or of any failure of the consideration of the note, and there was a like lack of notice or knowledge on the part of all the directors and officers of the bank except the president, who, being a mutual friend of the payee and appellee, wrote both the note and the contract of warranty, and also knew, as such friend, prior to the transfer of the note, that appellee claimed the machine had failed to work as warranted, and had demanded a return of the note, but he never informed any of the directors or officers of the bank of these facts, and did not know the bank had taken the note in question until two or three months after it had been assigned. The board of directors did not appear to have defined the duties of the several officers as authorized by the National Bank Act: *Held*, that the knowledge of the president was not notice to the bank, and the plea of failure of consideration is no defence; that if the notice in this case had been to either the cashier or the board of directors, it would have been notice to the bank.

This was an appeal from the Circuit Court of Bond County, and reported in the *Chicago Legal News*, from which the foregoing syllabus is taken.

BAKER, J.—The power given to National banks, as respects the matters here in issue, is "to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt." R. S. U. S., Sec. 5,136. It was urged that the transaction involved in this case was a purchase by appellant of the notes; that a National bank has no power to make such purchase, and that the bank took no title thereto and cannot recover thereon. The cases of *Laxear v. Nat. Union Bank of Md.*, 52 Md. 78; *F. & M. Bank v. Baldwin*, 23 Minn. 198, and the *First Nat. Bank v. Pierson*, 24 Minn. 140, are cited as authorities in that behalf. As we understand the facts of the case bearing upon the question under consideration, the note was executed by appellee and payable on the first of September, 1882, to the order of

one E. B. Wise, and was by said Wise on the twenty-ninth of June, 1882, and before maturity, indorsed in bank and delivered for value through its cashier to the appellant bank. No point was made in the court below as to the title of appellant, and the evidence does not disclose what discount was made upon the note.

The argument made here is based upon the statement of the cashier that he purchased the note from Wise, and that it was bought in the usual course of business as he bought other notes. It may be questionable whether the words used in the statute, "by negotiating," are broad enough to include that which was here done by the bank; and yet, according to the lexicographers, the word "negotiate" means not only "to transfer," "to sell," "to pass," but "to procure by mutual intercourse and agreement with another." It appears the note was taken by a National bank and "in the usual course of business." Admitting the bank had no power to become vested with the legal title to the note otherwise than by "discounting" it—the fair and reasonable presumption, from the fact it was taken in the usual course of business of a National bank, would be that it was discounted. The fact the cashier, in stating the transaction, uses the words "purchased and bought," we do not deem of much importance. In *Atlantic State Bank v. Savery*, 82 N. Y. 291, a similar statute was under consideration, and the word "bought" was used by the witness, and a written memorandum of the transfer was made and delivered at the time, in which the word "sold" was used, and yet it was held it was a discount and the title to the note was valid. In the present case the paper was procured from Wise, who was both payee and indorser, and was transferred by an indorsement imposing the ordinary liability upon the indorser.

Although in form and in common parlance it was a purchase of the note, yet, in substance, it was a loan by way of discount made by the bank to Wise, and the relation of debtor and creditor as between them was created.

Discount is the difference between the price and amount of the debt, the evidence of which is transferred; and the character of the paper, with reference to its being business or accommodation paper is immaterial as respects the transaction being properly denominated a loan: *National Bank v. Johnson*, 104 U. S. 271. Had the transfer been by delivery only, or by an indorsement without recourse, then, probably, it might be regarded as an absolute purchase of the note.

This is sufficient upon this point for the purposes of the present controversy. We are inclined however, in the absence of Federal or binding authority, as to the construction to be given this section 5,136, R. S. U. S., to place our decision upon higher ground. A purchase may be made by way of discount, equally as well as a loan may be made by way of discount. Discount means *ex vi termini*, a deduction or drawback made upon advances or loans of money upon negotiable paper or other evidences of debt, payable at a future day, which are transferred to the bank: *Fleckner v. Bank of U. S.*, 8 Wheat. 338, 350; and in the same case Mr. Justice Story speaks of "a purchase by way of discount." If the party dealing with the bank assumes a responsibility, it is a loan; if he does not, it is an advance made to him in consideration of the transfer without recourse or by delivery. If a greater rate of discount is taken or reserved than the Bank Act allows, then the bank is liable to the penalties imposed by the Act, but the title of the bank to the

paper is not affected. The decision of the New York Court of Appeals, in *Goverly's case*, 82 N. Y. 291, is much in point. See, also, the able discussion of the subject in the dissenting opinion in *Lazear's case*, 52 Md. 126. We think the logic of the opinion of the Supreme Court of the United States in *National Bank v. Johnson*, 104 U. S. 271, leads to the same conclusion.

The defence relied on at the trial was that of a failure of the consideration of the note. Of course such defence cannot be successfully interposed if the appellant bank took the note in good faith and without notice. It appears from the evidence the note was taken by the cashier of the bank in the usual course of business, and that he had no notice or knowledge of the contract of warranty in regard to the machine sold, or of any failure of the consideration of the note. There was a like lack of notice or knowledge on the part of all the directors and officers of the bank, except McNeill. McNeill was president of the bank at the time the note was executed and until January, 1882, and was vice-president from the latter date until after the supposed failure of the machine to do good work in the harvest of 1882, and after the assignment of the note. He, as a mutual friend of the payee, Wise, and appellee, wrote both the note and the contract of warranty; and he also knew as such friend, prior to the transfer of the note, that appellee claimed the machine had failed to work as warranted, and had demanded a return of the note. It also appears that McNeill never informed any of the directors and officers of the bank of the contract between Wise and appellee, or of the supposed failure of consideration; that the cashier and bookkeeper did the general business of the bank and purchased the notes, and that the only part McNeill ever took in the purchase of notes was that if he was present the cashier might sometimes ask him about the notes he was buying, and that he did not know the bank had taken the note in question until two or three months after it had been assigned.

The general management of the business of a National bank is confided to a board of directors, and this board appoints the president, vice-president, cashier and other officers. The National Bank Act nowhere defines the duties of these several officers, but authorizes the board to do so; and in this case the board does not appear to have exercised that authority. The president and vice-president, then, of appellant, must be regarded as having only such powers and duties as are necessarily incident to their respective offices.

The president of the bank has very little inherent power; it is his duty to preside at the meetings of the board of directors, and he has charge of the litigation of the bank; and, other than these, he has no power inherently over and beyond another director. *Hodges Exr. v. Nat. Bank*, 22 Gratt. 51. We are not advised the vice-president of a bank has inherently any other than contingent duties to perform, unless it be he is also a member of the board of directors. As matter of fact, these officers may frequently transact important business for the bank. Sometimes it is done by express authority from the directors, and sometimes, if done with the knowledge and approbation or the tacit sanction of the board, it may be regarded as legalized by the principles of ratification or usage. *Morse on Banks*, 128. The powers and duties of a cashier are much more numerous. In all transactions in which the bank may lawfully engage, the cashier is its managing agent. While he is the business



officer of the bank, it is in the sense of one who transacts the business, and not one who regulates and controls it. Morse on Banking, 137.

Without discussing the relative powers and duties of a board of directors and a cashier, it may, perhaps, be safely assumed that if the notice in this case had been to either one or the other it would have been notice to the bank.

Parsons states the rule of law to be, that a notice to a corporation binds it only when made to an officer whose situation and relation to the corporation imply that he has authority to act for the corporation in the particular matter in regard to which the notice is given. 1 Parsons on Contracts, p. 77. In Story on Agency, sec. 140, and following sections, the subject under examination is quite fully discussed, and in sec. 140 *b* it is said: "If we examine the subject upon general principles, and with reference to practical convenience in the administration of banks it might seem that, to bind the banks, the notice ought to be given to the proper agents of the bank legally intrusted with the particular business to which the notice relates. If the business be legally confided to the cashier, notice to him ought to bind the bank. If it is to be done by a board of directors, as for example, in the discounting of notes, they ought to have official notice of any illegality or informality affecting the notes, and notice to one director only, unknown to other directors of the board, ought not to bind the bank."

In Angell and Ames on Corporations the same subject is discussed in sections 306, 307 and 308. It is there said, among other things, that notice to either of the directors while engaged in the business of the bank is notice to the bank, but that where a director is not engaged in the business of the bank, notice to him will not be deemed notice to the bank. And it is also stated, notice to the director of a bank will not be deemed notice to the bank, unless the director be constituted as organ of communication between the bank and those who deal with it; and that a private communication of a fact to a director, or his knowledge of it from rumor, is clearly no notice to the board unless he communicates the fact to the board.

The rule is stated in Morse on Banks, p. 109, to be that if the director acquired the knowledge in his official capacity, or in the course of, or in relation to, any special matter or function of which he had charge as an agent of the bank, then he knows it as a director, and the law holds that the bank also knows it; but that if he acquired it solely as any other private individual might have acquired it, and not officially, or in connection with his discharge of the functions of his office, or if it did not relate to any matter in which he owed a peculiar duty to the bank, he does not know it as director, and the bank does not know it by implication from his knowledge, unless, as a matter of fact, he communicated it to his co-directors, or such of them as are present at the meeting.

Tested by the rules of the law as stated above, it would seem the knowledge of McNeill was not notice to the bank, and that the plea of a failure of consideration is no defence under the circumstances of this case. The rulings of the court upon the instructions were in conflict with the views herein expressed, and were erroneous.

The judgment is reversed, and the cause remanded.

## LEGAL MISCELLANY.

TAXATION—CORPORATION—DEDUCTION—"ASSESSED VALUE."—(1), Writ of *certiorari* directed to defendants for the purpose of reviewing their action in assessing the capital stock of the relator for the years 1882. The relator claims that the amount of the capital stock to be subjected to taxation should be the residue after deducting from the par amount, \$600,000, the sum of \$405,000 expended in real estate, which would leave only \$195,000 assessable as personal estate. The defendants, however, claimed that as the stock was at least fifty per cent. above par, and that, as the whole value thereof, estimated according to its selling price was \$900,000, and it not appearing that the real estate purchased was of any greater value than the amount paid for it, it was proper to deduct such amount from the actual value of the capital stock estimated according to its selling price. *Held*, that under the provisions of the Act of 1857, ch. 456, in relation to the taxation of corporations liable to taxation, for the purpose of taxing the capital stock of a corporation, it is to be "assessed at its actual value," from which is to be deducted "the assessed value of the real estate," and such other items as are specified in the Act. (2) The provisions of the statutes regulating the details of assessments of the property of corporations (1 Rev. Stat. 415, § 6, as amended by act of 1853, ch. 564), are to be deemed amended so far as is necessary to make them conform to and give effect to the Act of 1857. A construction of a statute which leads to an absurd consequence must always be avoided, as an absurd purpose is not to be attributed to the law makers. *Com. v. Kimball*, 24 Pick. 370. It will not always be easy to determine the assessed value of the real estate to be deducted from the actual value of the capital stock. There can be no difficulty when the real estate is situated in the same ward or town where the capital stock is assessable, or even when it is situated in the same city or county. In most cases it will thus be situated, but if it is not, and is yet within the State, it will not be impracticable to ascertain its assessed value from assessment rolls always accessible. But if the real estate should be in another State or country, or if for any other reason its assessed value cannot be obtained, then, as the best and nearest substitute for it, the price paid as the presumed value, in the absence of proof or of any other standard, may be taken as the assessable value. We have not overlooked the fact that some of these views are in conflict with those expressed by Mason, J., in the case of *People v. Board of Assessors*, 39 N. Y. 81. All that was there said was not necessary to the decision of that case, and we think the construction we have given to the statutes is more likely to give just results, and to effectuate the intention of the law makers. [*People v. Comrs of Taxes*, N. Y. Ct. of Appeals.]

NEGOTIABLE INSTRUMENT—CONSIDERATION—EVIDENCE—PERFORMANCE IN FUTURE—MEASURE OF RECOVERY.—(1) A statement in a promissory note that it was given for money loaned is not conclusive; it is open to either party to show the actual consideration. 1 Pars. N. & B. 194; *Abbott v. Hendricks*, 1 M. & G. 791; *Wheeler v. Billings*, 38 N. Y. 263; *Arnot v. Erie Ry. Co.*, 67 id. 321. (2) A promissory note, given in consideration of future services to be rendered by the payee, upon the rendition of the services in reliance thereon becomes valid and binding, although there was no

agreement at the time of the giving of the note upon the part of the payee to render the services, and although the amount of the note be much greater than the value of the services. In *Cottage Street Church v. Kendall*, 121 Mass. 529, Gray, C. J., said: "Where one promises to pay another a certain sum of money for doing a particular thing, which is to be done before the money is paid, and the promisee does the thing upon the faith of the promise, the promise, which was before a mere revocable offer, thereby becomes a complete contract upon a consideration moving from the promisee to the promisor. In *White v. Baxter*, 71 N. Y. 254, it was held that where one, acting on the faith of a promise, performs the condition upon which the promise was made, the promise attaches to the consideration so performed, and renders the promisor liable. Rapallo, J., again writing the opinion of the court, said: "After the promisor has had the benefit on the consideration for which he bargained, it is no defence to say that the promisee was not bound by the contract to do the act." In *Marie v. Garrison*, 83 N. Y. 26, Andrews, J., commenting on the same rule, said: "When the defendant has actually received the consideration of an agreement by a voluntary performance of an act by the other party, upon his proposition or suggestion, such performance constitutes a consideration which will uphold the defendant's promise," and that it was not essential to the existence of a consideration for the defendant's agreement that mutuality of obligation should have existed between the parties when this agreement was made. See also *Train v. Gold*, 5 Pick. 380; *Willets v. Sun Mut. Life Ins. Co.*, 45 N. Y. 45; *Sands v. Crooke*, 46 id. 564; *Barnes v. Perine*, 9 Barb. 202; *L'Amoureux v. Gould*, 7 N. Y. 349. (3) Plaintiff was entitled to recover the full amount of the note, although that was much greater than the real value of the services; and for such a rule the cases of *Worth v. Case*, 42 N. Y. 369, and *Earl v. Peck*, 64 id. 596, are ample authority. [*Miller v. McKenzie*, N. Y. Ct. of Appeals.]

## THE ABOLITION OF EXCHANGES.

To the Editor of the BANKER'S MAGAZINE:

The article in your August number which proposes to abolish exchanges makes the double mistake of assuming false premises and drawing even from these conclusions which are illogical. It starts out by claiming that "no cunningly-devised machinery is necessary to make sales," which is like saying that exchanges can be made without Clearing-houses. Exchanges are, as far as their machinery goes, simply the outcome of an increased volume of business which requires new facilities. Not only is it a physical impossibility to handle merchandise by the same methods that were in vogue fifty years ago, but with the increased number of men dealing in a given commodity it is often nearly impossible for the buyer and seller to find each other without the central meeting ground that the exchange affords. In the old days, for example, cotton used to pay five commissions amounting in all to 12½ per cent., whereas now it passes from the planter to the Manchester spinner at a cost of only one-half of one per cent. True, there are still articles that are dealt in without the medium of exchanges, but they are either of comparatively small importance, are dealt in by but few persons, or, as with dry goods, are handled at great expense.

Then again you say that "prices are made to oscillate far more violently than they would if exchanges, and speculations growing out of them, did not exist." This is a widespread error, but it is none the less false. Neither the range of prices nor the oscillations of prices are as great now as before exchanges were established, or as great with strictly speculative commodities as with those which are not listed on an exchange. The quotations of wheat and cotton by the speculative agency vary now by the smallest fractions of a cent, where they formerly moved by two and three cents at a time. Twenty years ago a rise or break of five or six dollars on a barrel of oil was not uncommon, but now ten cents is something tremendous. In 1879-80, before the Metal Exchange was established, iron went from \$25 to \$42 a ton, and back again inside of eight months, while other commodities fluctuated only 30 to 40 per cent. In America the oscillations in the price of iron have often been two and three dollars per ton, but in Scotland, where for a long time there has been an exchange, they are reckoned in pence per ton and rarely go as high as a shilling.

This steadying of the market is brought about both directly and indirectly by the speculation on exchanges. Directly by the continual struggle between "bulls" and "bears" that goes on in both good and bad seasons, whilst in a jobbing trade everyone buys when prices go up, and when they go down tries to throw overboard at any sacrifice whatever stock is being carried, just when no concessions will tempt the consumers into the market. Indirectly by the steadying effect of the large stocks which are carried mainly for the basis of speculative dealings.

As to the moral effects of speculative dealings on which you lay such stress, there are and must be two opinions. Before the era of exchanges, every merchant was a speculator of necessity, though he did his business on margins only when he asked advances from his bankers on stuff which he had already purchased. Under the new regime it is quite possible for the merchant to do either what is really a banking business, or to deal entirely on commission, incurring no risk; while the producer and consumer are also relieved from the necessity that formerly existed of speculating in either their raw material or their finished work. The development of speculation in itself may be regarded as a benefit when it is looked at as the easy transfer of capital from a less profitable to a more profitable branch of trade, which all economists have told us is desirable; but the insurmountable objection to your scheme of legislative repression is that it is a step backward over two hundred and fifty years of progress. Just the same sort of sermon was preached in the laws against the engrossing of grain, but these laws have been well nigh forgotten, and in an age when the heresies of a usury law and a protective tariff are in a fair way to die, it is hardly likely that a movement can be successfully carried through to put new shackles on trade.—Yours truly,

EDWARD J. SHRIVER.

[The above letter in defence of the methods of exchanges is from the Secretary of the New York Metal Exchange. In our article we did not contend that exchanges were not useful, but that, as at present managed, they give rise to many evils; and the question which not a few thoughtful persons are asking is, whether the evils do not outweigh the advantages. This certainly is the growing opinion. Their operations are regarded with constantly increasing disfavor by those who are engaged in legitimate trade.]

## BOOK NOTICES.

*Investigations in Currency and Finance.* By W. STANLEY JEVONS. Illustrated by twenty diagrams. Edited, with an introduction, by H. S. Foxwell, M. A., Fellow and Lecturer of St. John's College, Cambridge, and Professor of Political Economy at University College, London. London: Macmillan & Co. 1884.

This is a collection of the financial essays by one of the most brilliant English economic writers of our time. But Jevons was much more than an economist; he was a bold speculator, in the highest sense of the term. Nevertheless, he combined, in a rare degree, with his speculative nature, a genuine love for investigation, and was therefore a man of science, as well as a philosopher. He delighted to delve among facts, and did not wholly content himself, as so many have done, with working meaningless changes with a few not altogether correct premises. Of course there are reasons why many persons have pursued the latter method. One reason is, because it is so easy. Only a very slight amount of study is sufficient to equip an economist who follows the old-fashioned, *a priori*, purely speculative method. Another reason why this method has been pursued, is because in Great Britain political economy has been studied mainly for a very definite purpose, and that purpose has been to further the interest of the wealthy class. Political economy there has never meant political economy for all. Though Jevons began with the common method, these essays show the progress of his mind toward another, and, as we believe, sounder method. His love for facts and investigation, which ran parallel with his speculative nature, led him nearer and nearer to the truth, and consequently to more fruitful results.

The volume opens with a carefully-written introduction by the editor, which is followed by an essay "On the Study of Periodic Commercial Fluctuations," written in 1862. The next year Jevons wrote the second essay in the present collection, concerning the fall in the value of gold. This essay was the product of much study, and has been often quoted in discussions of the subject. Seven years afterward appeared a shorter essay on the depreciation of gold, which also reappears in this volume. Another essay of great merit is the third, "On the Variation of Prices and the Value of the Currency since 1782." This first appeared in 1865. The next year appeared another on the autumn drain in the money market, and the action of the Bank of England on such occasions. These annual drains are well known here, though they arise from different causes. Mr. Jevons discusses the action of the bank in raising the rate of interest, and while admitting the wisdom of the remedy, concludes that the bank ought to be more far-seeing, and by providing earlier for these drains could diminish their severity.

The famous Sun-spot and Price of Corn essays are included in this volume. Except the second essay above noticed, they have been perhaps more frequently mentioned than any other of the writer's economic contributions. One of the most important and elaborate essays relates to the British gold

coinage, with reference to the question of an international currency, which is followed by another on "An Ideally Perfect System of Currency." This was written to form the conclusion of his book on *Money*, but for some reason was omitted. The volume contains several articles on different phases of the silver question, and closes with a bibliography of writings on money and prices. Though not complete, the list is exceedingly useful, and is worth the price of the volume.

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*The Co-operative Commonwealth in its Outlines. An Exposition of Modern Socialism.* By LAWRENCE GRONLUND. Boston: Lee & Shepard, 1884.

The writer declares that the following extract from an article in the *Nineteenth Century* is the key to his book: "We see that political systems in all progressive societies tend toward socialistic democracy. We see everywhere that it *must* come to that. We feel that nothing we can do can avert or possibly long delay the consummation. Then, we *must* believe that the movement is being guided, or is guiding itself, to happy issues." The writer, therefore, has sought to show that the social and political phenomena in all progressive countries, and particularly in this and in Great Britain, are evolving in a perfectly natural manner a new social order. He regards society as living on the edge of darkness, and not unlike the condition of Augustan Rome when great wealth and splendor dazzled the people so completely that they could not see the dangers surrounding the State. Yet the writer is hopeful, and believes that society will emerge from its present condition. A reconstruction "will be brought about by the logic of events." This is the teaching of German socialism, he says; the coming evolution will be strictly an evolution.

This is the writer's general statement. The specific doctrines of the author follow, which are, in truth, a presentation of the principles of German socialism. He says, however, that these are presented with the important modification that they have been digested by a mind, Anglo-Saxon in its dislike of all extravagancies, and in its freedom from any vindictive feeling against *persons* who are, from circumstances, what they are. The work is highly speculative, as will be seen from a statement of the matters contained in each chapter. In the first three the writer presents the socialist critique of the phenomena of the era in which we are living; in the next three, what the social order probably will be, followed by other chapters describing the political and legal machinery necessary to the working of the new order; then the social effects which may be expected to follow the new order are set forth, the work closing with a chapter showing how the revolution is likely to be accomplished in our country and in England.

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*The Labor-Value Fallacy.* By M. L. SCUDDER, JR. Chicago: Jansen, McClurg & Company. 1884.

*Congested Prices.* By the same author and publisher.

The last-named work is a very valuable contribution to economic literature. It is a fresh product, derived from a careful study of the facts of trade, and not a rehash, as so many of our economic books are, of the opinions of

others. By "Congested Prices," the author means "prices made in certain unhealthy conditions of trade." The function of exchanges in determining prices is well described, followed by a discussion of the relation of the weather to prices, after which panics are considered. Though numbering only about fifty pages, this little work contains more which is really new than can be found in many a ponderous volume on political economy.

The *Labor-Value Fallacy* is not so satisfactory. The spirit of the work is excellent, but it seems to us that his reasonings are not entirely faultless. He begins by saying that there are two propositions which receive general assent, which are, first, that "all wealth is created by labor," and secondly, "that the title to all wealth ought to be vested in the laborers who have produced it." He regards these propositions as wholly false. On page 33 he remarks that "it will be acknowledged by any one, who studies the fluctuations of the markets, where the important commodities of commerce are bought and sold, that the wants of men are the chief influences which determine prices." But is human want the sole influence determining price? If grain or cotton could be had without difficulty of attainment, that is, without labor, would these commodities have any value? Certainly not. It seems nearer the truth to say that several influences determine price, among which wants and efforts are very prominent. But all the influences determining price are forever varying, and the potency of each influence cannot be measured or determined. However, whether right or wrong in his reasonings, his book kindles thought on one of the most momentous subjects of the time. The real question is, admitting that man desires to improve, is individualism or socialism the most favorable for progress? In other words, what can society do for a man; must he work upward alone, or can the State aid him, and if so, in what way? The question is too large even to be fully stated here; but books carefully prepared, like this, will prove helpful in clearing away errors and in getting us nearer on our way toward the true answer.

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*Manual of Railroads of the United States for 1884; showing their Routes and Mileage, Stocks, Bonds, Debts, Cost, Traffic, Earnings, Expenses and Dividends, their Organizations, Directors, Officers, etc.* By HENRY V. POOR. H. V. & H. W. Poor, 70 Wall Street, New York.

This is the seventeenth number of this well-known publication. The volume contains over a thousand pages, and is a work of great value for those for whom it is especially designed. The number of railroads described is 1,700, including those of Canada and Mexico. At the close of the fiscal year 1883 there were in the United States 120,552 miles of railroad, the aggregate share capital of which equaled \$3,708,060,583; funded debt, \$3,455,040,383; floating debt, \$332,370,345; total, \$7,495,471,311. There were constructed and opened during the fiscal year 6,001 miles of new line, at a cost, represented by stock and debt, of \$478,721,202. The gross earnings of all the railroads for 1883 were \$823,772,924, against \$770,209,399 for 1882; their current expenditures were \$525,406,359; net earnings from operations, \$298,366,565; earnings from other sources, \$71,432,164; making a total of net earnings of \$369,798,729, out of which were paid—interest, \$173,139,064; dividends, \$102,050,548. There were transported upon the railroads of

the United States the past year 400,453,439 tons of freight, the value of which, at only \$25 to the ton, would have exceeded \$10,000,000,000. The total length of all tracks was 149,183 miles, of which 78,491 miles were laid with steel rails. The number of locomotive engines employed was 23,823; of freight cars, 748,661; of passenger cars, 17,899; of baggage, mail and express cars, 5,948. We have marked some extracts for a future number of the Magazine. The perusal of this volume chiefly impresses the reader with the magnitude of our railroad system, and how intimately related it is with every other industrial enterprise. The cheap and rapid transportation of man and his products is one of the leading distinguishing marks of the modern age.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. COLLECTIONS AS PREFERRED CLAIMS.

We sent to a bank, in Ohio, "for collection and remittance," a note which we had discounted. We are informed that this note was paid to the bank on the day it was due, but the bank did not remit the proceeds. It has since failed and made an assignment.

Should not the assignee pay us the amount thus collected, or do we have to take our chances among the ordinary creditors? The money collected is our property, and was not intended to be *placed to our credit*, but to be forwarded at once to us.

REPLY.—We are unable to see any reason why the inquirer is entitled to a preference over the general creditors of the failed bank. Even if the proceeds of the note, when collected, were the property of the inquirer, as suggested, the liability of the failed bank is, then, only a liability for neglecting to pay over a specific sum of money, contrary to the instructions given. This does not differ so essentially from a debt by simple contract as to entitle it to a preference.

### II. CHECKS POST-DATED ON SUNDAY.

Is a post-dated check, whose date falls on Sunday, protestable if not paid when presented on Saturday?

REPLY.—No. The check is not due and payable until the Monday following. *Salter v. Burt*, 20 Wendell, 205.

### III. CHECKS TO "ORDER OR BEARER."

A draws a check on his bank which reads, "Pay to the order of Richard Roe & Co., or bearer, eighty-one dollars." Roe & Co. deliver the check to John Jones without indorsing. Jones indorses and deposits it in his bank. A's bank, the drawee, refuses to pay without indorsement of Richard Roe & Co., but certifies the check as "good when properly indorsed." Jones' bank protests the check, on the ground that no indorsement is necessary.

Which is right? And if the position of A's bank is correct, is not Jones' bank liable to A for damages to his credit?

REPLY.—Jones' bank. The law upon this point is very familiar. A check payable to A or bearer, or to the order of A or bearer, is, in legal effect, the same as if payable simply to bearer, and no indorsement is necessary to pass the legal title. Whether the check be indorsed or not, the holder



may always prove his title to it as bearer, and demand payment of it as such. Payment having been refused, Jones' bank followed the proper course in protesting, and if any one is liable to A for the injury to his credit it is A's bank, which has improperly refused to honor his check. But even if the position of A's bank were correct, Jones' bank would not be liable to A for protesting the check. That bank owed him no duty, and the mere fact that it had unnecessarily and improperly caused his check to be protested, would not be a ground of legal damage.

#### IV. NOTES PAYABLE AT BANK.

1. What is the obligation of a bank to pay at maturity a note made payable at such bank, the maker of which has to his credit funds sufficient to meet it?

2. Does a bank, having paid such a note (or does any purchaser on day of maturity) become entitled to the benefits of protest as against endorers?

REPLY.—(1). This point is not quite settled. See an article in the *Albany Law Journal*, June, 1878, p. 500. The better rule, and the one we think most likely to be generally adopted, in this country, is, that the maker of a note does not, by merely making it payable at a bank, and without further instructions, authorize the bank to pay it out of his deposit, nor is the bank under any obligation so to pay it. *Wood v. Merchants' Savings, Loan and Trust Co.*, 41 Ill. 267; *National Exchange Bank v. National Bank of North America*, 132 Mass. 147. Daniel on Negotiable Instruments § 326.

The English law seems to be different, and there are authorities to the contrary in New York. See the *Albany Law Journal* and Daniel, at the places above cited. It is the prevalent custom in this city for banks to pay notes as they do checks, when made payable at their counter by a dealer. Here it seems to be assumed (and doubtless truly) that the object of making notes payable at a bank, is to insure their being taken care of when due, by presentation where the money is to pay them.

(2). The answer to this depends upon whether what was done at the time the note was presented for payment, amounted in law to a *payment* or a *purchase*. If it was a payment, the contract of the maker of the note was satisfied, and the liability of the endorers was at an end. If it was a purchase, the bank would succeed to the rights of the previous holder, and might protest the note and hold the endorers. The bank would have the right to purchase the note on the day of maturity; but it could not successfully claim to be a purchaser, unless the transaction was so understood between it and the holder, at the time the note was taken up. Of course, it would have no right, having once paid the note, although without authority from the maker, afterwards to change its position, and claim to be a purchaser to the prejudice of the endorers. See the authorities cited in Daniel, § 1221, *et seq.*

N. B.—It would seem to follow as a logical consequence of the rule stated above, that a bank which undertakes to pay a note of its depositor made payable at its counter, without any further direction from him, than the mere statement in the note itself that it is so payable, stands in the same position as any other stranger, who should pay the note without authority or promise of repayment from the maker. It is well settled that such a payment is merely gratuitous, and imposes no *legal* liability upon the maker. He is no longer liable on the note, because that has been paid and extin-

guished. He is not liable to refund the money paid, because he has never agreed to do so. See Daniel, § 1223, and authorities cited. It would therefore follow that the bank could not *legally* charge the amount so paid to its depositors' account, or recover it from him, without his consent. We do not know that this point has ever been decided, and merely call attention to it, because it may be a matter of some interest.

#### V. STATE LAWS AND NATIONAL BANKS.

In the August No. of your Magazine (page 147), in reply to an inquiry as to grace on checks payable at a future day, you state that the question has been settled in the State of New York by a statute *recently passed*. As any such recent legislation has escaped my notice, I would like to enquire if you do not refer to a law passed some years prior to the enactment of the United States Banking Law, and if so, I would like to elicit your opinion as to whether the law in question is applicable to checks payable at a future day, and drawn on National banks which did not then exist.

REPLY.—Chap. 416, § 2 of the laws of 1857 provides that "all checks, bills of exchange or drafts appearing on their face to have been drawn upon any bank, or upon any banking association or individual banker, carrying on banking business under the act to authorize the business of banking, which are on their face payable on any specified day, or in any number of days after the date or sight thereof, shall be deemed due and payable on the day mentioned for the payment of the same without any days of grace being allowed . . . ;" and the question, which we understand the inquirer intends to ask is, whether this statute applies to a check drawn upon a National bank, incorporated under laws of the United States, enacted since the statute was passed. We are of opinion that it does. It is a cardinal rule in the interpretation of statutes that they are to be construed according to the presumed intent of the legislature. We think it was obviously their intention in passing this statute, to settle certain doubtful questions of commercial law and to make a general rule for the conduct of business; or, as said by Peckham, J., in *Commercial Bank of Kentucky v. Varnum*, 49 N. Y. 279, "to abolish grace upon short time bills drawn upon banks and bankers." It is true that the banks then in existence were State banks incorporated under special charter, or banking associations and individual bankers, carrying on the business of banking under the general banking law of the State; but it was among the legal possibilities, when the statute was passed, that the United States might afterwards create banks within the State of New York, as it had already done before, when it created the old United States Bank. The language of the statute is very broad. It says "any bank." No one would doubt that this includes a bank created under a special charter subsequently granted by the State, and no satisfactory reason can be given why it does not also include a bank subsequently created by the United States. We do not think the courts of New York would so construe the statute, as to make an exception in the case of checks and drafts drawn upon National banks, contrary to the words and policy of the statute, and contrary to the convenience of the people, to whose advantage it plainly is, that, in cases of this kind, there should be one simple rule of universal application. We do not know that the question has been raised and decided in any case, but we believe that our construction of the statute is the one which has been universally adopted in practice as correct.

The inquirer properly corrects our error in speaking of the statute as "recently passed." We referred by mistake to chap. 27 of the laws of 1875 relating to holidays and days of grace.

## BANKING AND FINANCIAL ITEMS.

**THE CLEARING-HOUSE AND THE MARINE BANK FAILURE.**—Several meetings of the boards of directors of the banks composing the Clearing-house Association have been held to consider the plan proposed for the settlement of the disputes between the First National and the Marine National Banks, and the Clearing-house, which arose from operations of the firm of Grant & Ward. By the settlement proposed, the claim of the First National on the Marine for \$215,000 allowed; the latter to pay \$139,750, and the associated banks to assess themselves to make up the remaining amount, \$75,250. The claim of the Marine National on the Clearing-house for \$405,063.17 was also allowed. This amount had been received from the Marine National on the day of the failure, after it had closed its doors, and distributed among the creditor banks. It was decided that the latter should retain sixty-five per cent. or \$263,291, and repay the balance \$141,772, to the receiver of the bank.

The Clearing-house Association adopted the report upon condition that it should receive the approval of the boards of directors of the banks interested and of the Comptroller of the Currency and the United States District Court. It is believed that the plan will be adopted as the best way out of the difficulty.

**EXCHANGE MEMBERSHIPS.**—The great shrinkage in value in Exchange memberships is shown by the following quotations which are furnished by Mr. A. C. Lasson, broker. They compare the prices at end of August with the highest in 1882 and 1883:

	<i>Present Price.</i>	..	<i>1882-83. Highest Price.</i>
New York Stock Exchange.....	\$24,000	..	\$33,000
New York Cotton.....	3,150	..	5,000
New York Produce Exchange.....	3,000	..	4,700
Brokers' Real Estate and Auction Rooms.....	800	..	1,250
Building Material.....	15	..	100
Electric.....	15	..	250
Importers and Grocers'.....	250	..	1,000
Manhattan Hay and Produce.....	35	..	250
Mercantile.....	305	..	400
Mechanics and Traders'.....	20	..	150
New York Coffee.....	800	..	1,400
New York Metal.....	120	..	600
New York Petroleum.....	250	..	700
New York Real Estate & Traders', dividend unpaid.	1	..	200
New York Naval Stores & Tobacco, paid.....	70	..	220
New York Maritime.....	90	..	250
New York Mining and National Petroleum.....	500	..	3,300
Open Board of Brokers.....	17	..	500
Wine and Spirit Exchange.....	25	..	150

**CALL OF BONDS.**—On August 25 the Acting Secretary of the Treasury issued the one hundred and thirtieth call for the redemption of bonds. The call is for \$10,000,000 of bonds of the three-per-cent. loan of 1882. Principal and accrued interest will be paid at the Treasury on the thirtieth day of September, 1884, interest ceasing on that day. The bonds are three-per-cent. bonds, issued under Act of Congress approved July 12, 1882, and numbered as follows, all numbers being original and inclusive:

\$50 D—No. 307 to No. 314, and No. 1,312 to No. 1,313; \$100 D—No. 2,256 to No. 2,362, and No. 9,514 to No. 9,548; \$500 D—No. 1,115 to No. 1,150, and No. 4,009 to No. 4,024; \$1,000 D—No. 10,620 to No. 11,088, and No. 22,858 to No. 22,913; \$10,000—No. 19,338 to No. 20,301. Total—\$10,000,000.

**FAILURE OF THE WALL STREET BANK.**—On August 11th the suspension of this institution was announced. The cashier, John P. Dickinson, had disappeared, after involving the bank in heavy losses through loans or inadequate security. It is stated that depositors will be paid in full. An amount sufficient to pay them sixty-five per cent. is on hand, and will be disbursed as soon as legal authority is received.

The Wall Street Bank came into the State system on the nineteenth day of October, 1883. It was originally organized as the Mechanics' Banking Association, on October 1, 1838, and became a National bank May 1, 1865. At that time the whole character of its business changed, and it has since been known as a brokers' bank.

Its last weekly report to the Clearing-house showed its loans to be \$1,472,800, specie \$151,700, legal tenders \$86,100, and net deposits \$1,192,000.

**HATCH & FOOTE'S SCHEDULES.**—Schedules in the assignment of Hatch & Foote were filed on August 8. The liabilities are \$4,497,315, of which \$3,548,900 are secured, leaving \$948,415 unsecured. The assets are nominally \$1,132,296; actual assets, \$298,871. These consist of railroad stocks and bonds, mining and other securities, with a small amount of Government bonds.

**NEW YORK.**—"Owing to the absence of the president," the directors of the First National Bank of Albion, New York, suspended its business on August 21st. It appears that the president, A. S. Warner, left Albion on the 13th, taking with him the combination of the safe, and that it is likely his absence will continue for some time. Early in 1879, Roswell S. Burrows, one of the wealthiest men in Western New York, died leaving an estate valued at over \$5,000,000. The executors were his wife, his son-in-law, Alexander Stuart, and A. S. Warner, and the latter has had almost sole charge of the estate. Warner has speculated in stocks, and lost much money in Wall Street. A legal decision ousting him as executor was rendered on August 18th. The assets of the bank are believed to be very small in amount. The Comptroller of the Currency has appointed Henry J. Anderson receiver. A warrant has been issued for the arrest of Warner, who is supposed to have fled to Canada.

**OHIO.**—The Second National Bank of Xenia suspended on August 27th. Its capital stock at last report was \$150,000; its surplus, \$20,000. The bank is in charge of an officer detailed by the Comptroller of the Currency. There was a run on the 26th, but payments were so promptly made that confidence was restored, and many persons renewed their deposits. The cashier, J. S. Ankeney, has "gone West." It appears that "he had been engaged in grain transactions with R. M. Smart, to whom the bank, through Ankeney, recently made large advances. Smart gave a mortgage to secure this money, but the directors were not satisfied, and demanded Ankeney's resignation." Bank Examiner Ellis reports that the affairs of the bank are not so bad as had been represented, and that it will be able to meet all demands upon it.

The shareholders of the bank have made an assessment of 33 per cent. on the stock and requested permission to resume business. The request will be granted by the Comptroller of the Currency when the deficit is made good.

**VIRGINIA.**—A meeting of some of the creditors of the Planters and Mechanics' Bank, of Richmond, Virginia, was held August 20th. It was decided to memorialize the Legislature to make proper changes in the existing bank laws of the State for the better protection of depositors.

**ROBERT PINKERTON**, the detective, is credited with the following observation: "I don't believe there is the making of a regular gang of first-class bank burglars among all the thieves of this country. Nearly all the old professionals have either died or have been arrested and put away in prison, and the younger men don't seem to have the ingenuity of their predecessors."

**OBITUARY.**

EDWIN M. LEWIS, President of the Farmers & Mechanics' National Bank, of Philadelphia, died in that city on August 23d, in his seventy-second year. Mr. Lewis had been connected with the bank since 1847, having filled successively the offices of teller, cashier, vice-president and president. He was an efficient, conscientious and able banker, widely respected and esteemed, and the announcements of his illness and death were received with universal expressions of sympathy and regret.

HON. HENRY C. LEWIS, of Coldwater, Michigan, died on August 18th, at Clifton Springs, New York, in his sixty-fifth year. Mr. Lewis was born in Orleans County, New York. When scarcely of age he found his way to Milwaukee, arriving there with but a sixpence in his pocket. His business ability enabled him to make his way to a partnership, which continued until 1844, when he sold out and removed to Coldwater. In 1857 he engaged in the banking business, and in 1865 was elected President of the Coldwater National Bank, holding that position until his death. His health being impaired he spent much time in travel, and during his first visit to Europe he conceived the idea of founding a free art gallery in his own city, which he did with great public spirit and generosity. This gallery now contains one thousand subjects, and is one of the largest and finest on this continent. Mr. Lewis took great interest in educational subjects and in agriculture. He was a man and a citizen whose example may well be emulated, and whose memory is cherished for his sterling worth.

JAMES L. CLAGHORN, President of the Commercial National Bank of Philadelphia, died on August 26th, in that city. Mr. Claghorn was widely known, not only as a successful business man, but as a leading patron of art. In the midst of exacting demands on his time he was nearly always engaged in planning, or in the promotion of, some helpful or beneficent work, in which his sole interest was its tendency to do good. This was his prominent characteristic, and with it he possessed the kindly disposition, the liberal and benevolent impulse, the public spirit, the clear insight into the work he could do to best advantage for others, the sense of honor as merchant and banker, and the sense of duty as man and citizen, which rounded out his character as a man. Whenever anything of importance was to be done for the general benefit he was always among the foremost, either as protector or proposer, or co-operating in the most hearty way. His and house, its galleries and collections, rich with choice and instructive gems of art, were open to all intelligent visitors; it has been, in fact, one of the noted homes of Philadelphia hospitality.

THE HON. STEPHEN SALISBURY.—The Hon. Stephen Salisbury, one of the most widely known and respected citizens of Worcester, Mass., died on August 24th, at the age of eighty-six years. Mr. Salisbury was a native of Worcester, having been born only a few rods from the house in which he died, on March 7, 1798. He was graduated from Harvard in the class of '17, and afterward studied law, but he never engaged in active practice. He held many positions of financial trust, and was noted for his generous gifts to various institutions, especially to the Worcester County Free Institute of Industrial Science, of which he had been president since its foundation in 1876. He was, at the time of his death, President of the Worcester National Bank, which position he had held for thirty-nine years, and President of the American Antiquarian Society, having been successively re-elected each year since 1854. He was a director in various railroad companies, and was for years an Overseer of Harvard College. He has been a member of both branches of the Massachusetts Legislature, and a Presidential elector, but has almost invariably declined to stand as a candidate for office. Mr. Salisbury was a wise, just and faithful man. His mind was enlarged by study and travel, his scholarship thorough and comprehensive. Notwithstanding his great age, his mind was as clear and active, and its conclusions as sound as ever.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from August No., page 152.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
N. Y. CITY.....		Knickerbocker Trust Co..	.....
	\$ 300,000	F. G. Eldridge, <i>Pr.</i>	Jos. T. Brown, <i>Sec.</i>
" ..		H. L. Hotchkiss & Co..	.....
DAK. . . . .		Canning City Bank.....	Kountze Bros.
" .. Doland.....		Bank of Doland (Thomas & Korns).	.....
" .. Rapid City.....		First National Bank.....	.....
	\$ 50,000	R. C. Lake, <i>Pr.</i>	Jas. Halley, <i>Cas.</i>
IOWA. . . . .		Crawford Co. Bank.....	Gilman, Son & Co.
	\$ 50,000	L. Cornwell, <i>Pr.</i>	W. H. Kridler, <i>Cas.</i>
" .. Kellerton.....		Kellerton Bank.....	.....
	\$ 20,000	A. Peasley, <i>Pr.</i>	W. W. Peasley, <i>Cas.</i>
" .. Laporte City...		Union State Bank.....	Chase Nat'l Bank.
		Geo. W. Hayzlett, <i>Pr.</i>	Chas. Searing, <i>Cas.</i>
" .. Laurens.....		Bank of Laurens (G. W. Leverick).	.....
" .. Peterson.....		Farmers' Bank.....	.....
" .. Swan.....		Farmers' Bank.....	Kountze Bros.
		John Shook, <i>Pr.</i>	W. S. Jordan, <i>Cas.</i>
KAN. . . . .		Cedar Vale Banking Co..	Chase National Bank.
	\$ 25,000	Jos. Dosbaugh, <i>Pr.</i>	G. R. Dale, <i>Cas.</i>
" .. Cheney.....		Bank of Cheney (O. M. Thorp).	.....
" .. Dunlap.....		Farmers' Bank.....	.....
	\$ 9,500	Geo. T. Brown, <i>Pr.</i>	E. D. Bulen, <i>Cas.</i>
" .. Fulton.....		B'k of Fulton, John Hall, <i>Pr.</i> ,	F. S. Hall, <i>Cas.</i>
" .. Howard.....		First National Bank.....	.....
	\$ 50,000	Thos. S. Krutz, <i>Pr.</i>	Thos. S. Fuller, <i>Cas.</i>
" .. Westmoreland..		Exchange Bank.....	Ninth National Bank.
		J. Dickey, <i>Pr.</i>	W. L. Wilson, <i>Cas.</i>
KY. . . . .		Brandenburg... Mead Co. Deposit Bank..	.....
	\$ 22,100	J. W. Lewis, <i>Pr.</i>	J. L. Fairleigh, <i>Cas.</i>
" .. Caseyville .....		W. W. Pierson.....	Hanover National Bank.
MICH. . . . .		Cheboygan..... First National Bank.....	Chemical National Bank.
	\$ 50,000	John W. McGinn, <i>Pr.</i>	Geo. F. Reynolds, <i>Cas.</i>
" .. St. Louis.....		First National Bank.....	.....
	\$ 50,000		A. B. Darragh, <i>Cas.</i>
MINN. . . . .		St. Paul..... Third National Bank.....	Nat'l Bank of the Republic.
	\$ 500,000	Walter Mann, <i>Pr.</i>	R. E. Stower, <i>Cas.</i>
MO. . . . .		Montgomery C. Farm. & Traders' Bank...	.....
	\$ 25,000	John Best, <i>Pr.</i>	J. A. Leavell, <i>Cas.</i>
" .. Sarcocie.....		Bank of Sarcocie.....	.....
	\$ 10,000	M. L. Reid, <i>Pr.</i>	John Harlan, <i>Cas.</i>
NEB. . . . .		Arapahoe..... Bank of Arapahoe.....	Kountze Bros.
" .. Beatrice.....		Smith Bros. Loan & Trust Co.	Kountze Bros.
" .. Bellwood.....		Platte Valley Bank.....	Chemical National Bank.
	\$ 10,000	David Belsley, <i>Pr.</i>	H. I. Converse, <i>Cas.</i>
" .. Burnett.....		Luikart & Memminger...	Kountze Bros.
" .. Craig.....		Bank of Craig (Lotta & Green).	Chemical Nat'l Bank.
" .. Diller.....		People's B'k (Bills, Hodges & Kinyon).	Gilman, Son & Co.
" .. Geneva.....		Citizens' Bank.....	Chemical National Bank.
		Geo. Proudfit, <i>Pr.</i>	J. M. Fillebrown, <i>Cas.</i>
" .. Humboldt.....		First National Bank.....	.....
	\$ 50,000	F. W. Samuelson, <i>Pr.</i>	C. E. Waite, <i>Cas.</i>
" .. Johnstown.....		George Webber.....	Hanover National Bank.
" .. Nelson.....		Nuckolls Co. B'k, (Leigh & Saylor).	Chas. P. Leigh, <i>Cas.</i>
" .. O'Neill.....		O'Neill State Bank.....	Seaboard Bank.
	\$ 20,000	John Fitzgerald, <i>Pr.</i>	E. S. Kelley, <i>Cas.</i>
" .. Scotia.....		Farm. & Merchants' Bank (Hall & Marsh).	American Exchange National Bank.

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
NEB....	Sutton.....	First National Bank..	.....
	\$50,000	Geo. H. Cowles, <i>Pr.</i>	L. D. Fowler, <i>Cas.</i>
N. J....	Princeton.....	Princeton Bank.....	National Park Bank.
	\$100,000	Edw. Howe, <i>Pr.</i>	S. T. Seger, <i>Cas.</i>
N. Y....	Greenport.....	People's National Bank..	First National Bank.
	\$50,000	S. W. Phillips, <i>Pr.</i>	C. F. Norton, <i>Cas.</i>
" ..	Patchogue.....	Patchogue Bank .....	Imp. & Traders' National Bank.
	\$25,000	Geo. F. Carman, <i>Pr.</i>	F. A. Overton, <i>Cas.</i>
OHIO....	Ashley.....	Ashley Bank (Sperry & Wornstoff).	Ninth Nat'l Bank.
" ..	Columbiana ...	Shilling & Co. ....	Central National Bank.
		S. S. Shilling, <i>Mgr.</i>	.....
" ..	Leipsic.....	Bank of Leipsic.....	Gilman, Son & Co.
" ..	Milford.....	Milford National Bank....	Continental National Bank.
	\$50,000	John B. Iuen, <i>Pr.</i>	W. M. Sanford, <i>Cas.</i>
" ..	Versailles .....	Central Bank.....	Imp. & Traders' National Bank.
		Jos. R. Jackson, <i>Pr.</i>	J. W. Storbuck, <i>Cas.</i>
OREGON	Dallas.....	Dallas City Bank (Gilbert Bros.)	Hanover Nat'l Bank.
" ..	Salem.....	Gilbert Bros.....	Hanover National Bank.
TENN. .	Clarksville....	Farm. & Merchants' N.B.	.....
	\$500,000	H. H. Lurton, <i>Pr.</i>	John W. Faxon, <i>Cas.</i>
W. VA..	Charleston....	Charleston Nat'l Bank....	Third National Bank.
	\$30,000	Geo. S. Couch, <i>Pr.</i>	Chas. P. Mead, <i>Cas.</i>
Wis....	No. La Crosse..	Exch. B'k (H. P. Magill).	American Exch. in Europe.

## CHANGES, DISSOLUTIONS, ETC.

(*Monthly List, continued from August No., page 155.*)

N. Y. CITY.....	Wall Street Bank; suspended August 11.
ALA....	Uniontown..... Ernst Bros.; now M. L. & C. Ernst.
ARK....	Fayetteville.... Reed & Ferguson; retiring from banking business.
DAK....	Huron..... Bank of Huron; assigned August 12.
" ..	Jamestown .... First National Bank; suspended.
" ..	Parker..... Citizens' Bank (Fletcher & Crain); now Gilchrist, Haines & Houts.
" ..	Rapid City..... Lake & Halley; now First National Bank.
" ..	Tyndall..... Albright, Smith & Co.; now Albright, Smith & Dye.
D. C. .	Washington ... H. C. Towers & Co.; now Towers & Green.
GA....	Atlanta..... John H. James; resumed business August 30.
ILL....	Greenview..... H. H. Marbold & Co.; now H. H. Marbold.
IND....	New Paris..... Exchange Bank (Johnson & Son); going out of business.
KAN....	Blue Rapids.... Bank of Blue Rapids City (J. L. Freeland); now Bank of Blue Rapids (G. B. Stocks & Son).
" ..	Hanover..... German Savings Bank; discontinued.
" ..	Lyons..... Citizens' Bank; discontinued.
" ..	McCune..... B'k of McCune (Pye & Co.); now McCune B'k (Millington & Vance).
MICH...	Adrian..... Adrian Savings Bank; suspended August 27.
" ..	Cheboygan.... Cheboygan Banking Co.; now First National Bank.
" ..	Lansing..... Second National Bank; gone into voluntary liquidation.
" ..	St. Louis..... Darragh & Co.; now First National Bank.
MINN...	Detroit..... B'k of Detroit (J. A. Bowman); E. G. Holmes now prop'r.
MO....	Marshfield.... Webster Co. Bank; suspended August 22.
" ..	St. Louis..... H. C. Wilson & Co.; succeeded by Wilson & Toms.
MONT..	Livingston.... First National Bank; receiver appointed August 25.
NEB....	Alma..... Bank of Alma; now State Bank of Alma.
" ..	Hampton..... Cox Bros.; succeeded by Bank of Hampton.
" ..	Sutton..... Sutton Bank (Fowler & Cowles); now First Nat'l Bank.
" ..	Utica..... Utica B'k (Davies & Brant); now Utica B'k, T. E. Standard <i>Pr.</i> , T. J. Brant, <i>Cas.</i>
" ..	Valentine..... Thacher, Cornell & Co.; now Bank of Valentine.

N. J.... Princeton..... Princeton National Bank; succeeded by Princeton Bank.  
 N. Y.... Albion..... First National Bank; suspended August 21.  
 " .. Suspension Br. Wilmer Bros.; assigned August 3.  
 OHIO... Ashtabula..... Ashtabula Loan Association; suspended August 22.  
 " .. Xenia..... Second National Bank; suspended. Arranging to resume.  
 PENN... Philadelphia.... Ladner Bros.; assigned to W. F. Harrity August 25.  
 " .. New Castle.... People's Savings Bank; suspended August 30.  
 " .. Reynoldsville... G. W. Fuller & Bro.; succeeded by Seeley & Alexander.  
 VA..... Windsor..... Bank of Windsor; suspended August 23.  
 WIS.... Platteville..... Northrop & Co.; suspended August 20.  
 CANADA Gladstone..... Lockhart, Bailey & Co.; now W. S. Bailey & Co.  
 " .. Petrolia..... Br. Federal Bank; transferred to Bank of London, Canada.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from August No., page 154.)

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY..	People's Bank.....	Scott Foster, <i>Pr.</i> .....	Chas. F. Hunter.*
CONN...	City Savings B'k, Bridgeport..	Horace Nichols, <i>Pr.</i> .....	Ira Gregory.*
FLA....	First National Bank, { Palatka. }	R. J. Adams, <i>V. Pr.</i> ..... F. A. Mersereau, <i>Ass't C.</i> .....	
ILL....	Monmouth N.B., Monmouth...	Henry Tubbs <i>Pr.</i> .....	Wm. Hanna.
IOWA...	Farmers' Loan & Tr. Co., Alta.	F. B. Browne, <i>Cas.</i> .....	F. B. Browne, <i>Act.</i>
" ..	Davenport Sav. B'k, Davenport.	Walker Adams, <i>Pr.</i> .....	Chas. E. Putnam.
" ..	First Nat'l B'k, Iowa City....	Lovell Swisher, <i>Cas.</i> .....	J. B. Haddock.
" ..	Farmers' Loan & Tr. Co., { Iowa City. }	Lovell Swisher, <i>Tr.</i> .....	J. B. Haddock.
" ..	Marshalltown Bank, { Marshalltown. }	Albert F. Balch, <i>Cas.</i> ..... P. S. Balch, <i>Ass't Cas.</i> .....	J. S. Adair. A. F. Balch.
" ..	Guthrie Co. N. B., Panora....	E. J. Reynolds, <i>V. Pr.</i> .....	
" ..	First Nat'l Bank, Sigourney....	J. T. Webber, <i>Cas.</i> .....	Irvin Keck.
" ..	Boyer Valley B'k, Woodbine...	E. F. Cadwell, <i>Cas.</i> .....	H. M. Bostwick.
KAN....	First National Bank, { Beloit. }	Alex. Campbell, <i>V. Pr.</i> ..... J. T. Search, <i>Ass't Cas.</i> .....	
" ..	Bank of Burrton.....	W. O. Vanarsdale, <i>Pr.</i> ...	W. H. Daily.
" ..	Medicine Valley Bank. { Medicine Lodge. }	J. A. Blair, <i>Pr.</i> ..... O. C. Ewart, <i>Cas.</i> .....	W. W. Cook. Geo. Geppert.
" ..	Parsons Comm'cl B., Parsons.	E. H. Edwards, <i>Pr.</i> .....	Joshua Hill.
KY.....	Bank of Hopkinsville.....	J. E. McPherson, <i>Cas.</i> .....	John W. Faxon.
" ..	Fourth National Bank, { Louisville. }	Geo. Davis, <i>Pr.</i> ..... Dan'l E. Dogherty, <i>V. P.</i> ...	C. N. Warren. Geo. Davis.
" ..	Bank of Louisville.....	Sam'l Russell, <i>Pr.</i> .....	Chas. Tilden.*
MD....	National Mechanics' Bank, { Baltimore. }	C. R. Coleman, <i>V. Pr.</i> ... Jas. Scott, <i>Cas.</i> .....	C. R. Coleman.
MASS...	Gardner Sav. B'k, Gardner....	Franklin Eaton, <i>Pr.</i> .....	John Edgell.
" ..	Franklin Co. N. B., Greenfield..	John Keith, <i>Pr.</i> .....	Quintus Allen.
" ..	First National Bank, { Woburn. }	Geo. A. Day, <i>Cas.</i> ..... E. F. Bryant, <i>Ass't C.</i> ...	Jos. R. Green. Geo. A. Day.
MICH..	First Nat'l B'k, Battle Creek...	Scott, Field, <i>Cas.</i> .....	W. H. Skinner.*
" ..	First National Bank, Ithaca.. { J. H. Seaver, <i>V. Pr.</i> ..... J. W. Lewis, <i>Cas.</i> ..... M. F. Chafey, <i>Ass't Cas.</i> .....		
MINN...	Bank of Detroit, Detroit.....	E. G. Holmes, <i>Pr.</i> .....	J. A. Bowman.
" ..	N.B. of Commerce, Minneapolis	S. C. Peters, <i>Cas.</i> .....	E. G. Holmes.
" ..	National Bank of Winona.....	E. A. Harmon, <i>V. Pr.</i> ...	V. G. Hush.
MO....	First Nat'l B'k, Jefferson City..	C. J. Porter, <i>V. Pr.</i> .....	
NEB....	State Bank, Alexandria.....	O. G. Burch, <i>Cas.</i> .....	H. C. Lambert.
" ..	First National Bank, { Blair. }	Geo. W. Clawson, <i>Cas.</i> ... W. B. Millard, <i>Cas.</i> ..... F. A. Claridge, <i>Ass't C.</i> .....	Geo. E. Black. F. H. Claridge.



	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place</i>
NEB....	Citizens' Bank, Neligh.....	Chas. L. Harris, <i>Cas.</i> ....	Edw. L. Hatch.
" ..	First National Bank, Wilber...	C. A. Caldwell, <i>Cas.</i> ....	John S. Edwards.
" ..	Commercial State Bank, York. }	F. O. Bell, <i>Pr.</i> .....	D. E. Sayre.
		D. E. Sayre, <i>Cas.</i> .....	F. K. Atkins.
N. MEX.	Central Bank, Albuquerque....	Norman C. Raff, <i>Cas.</i> ....	W. K. P. Wilson..
N. Y....	East New York Sav. B'k. East New York. }	J. Wyckoff Van Sicklen, <i>Pr.</i>	Isaac Schenck.
" ..	Central Nat'l Bank, Rome.....	J. Stevens, <i>Pr.</i> .....	S. B. Stevens.*
		D. B. Welch, <i>Pr.</i> .....	D. A. Hollingsworth
OHIO...	First National Bank, Cadiz.. }	D. C. Moore, <i>Cas.</i> .....	J. B. Lyons.
		W. S. Cessna, <i>Ass't Cas.</i> .....	
" ..	Trumbull Nat'l B'k, Warren...	O. L. Wolcott, <i>Cas.</i> ....	E. C. Smith.
PENN...	First National Bank, Ambler...	Geo. K. Knight, <i>V. Pr.</i> ...	
" ..	Dillsburg National Bank, Dillsburg. }	Henry Bowman, <i>V. Pr.</i> ...	
		G. W. Cook, <i>Cas.</i> .....	Jno. N. Logan.
" ..	Sharon National Bank, Sharon. }	Jos. Forker, <i>Pr.</i> .....	Jas. Westerman.*
		M. H. Henderson, <i>V. Pr.</i>	Jos. Forker.
TENN...	Second Nat'l B'k, Lebanon....	W. H. Brown, <i>Cas.</i> .....	Thos. J. Stratton.
TEX....	State National Bank, }	H. C. Hiatt, <i>V. Pr.</i> .....	
	Fort Worth. }	John C. Harrison, <i>A. C.</i> .....	
" ..	Concho National Bank, }	Wm. Childress, <i>Cas.</i> .....	Wm. E. Ellis.
	San Angelo. }	D. R. Forman, <i>Ass't C.</i> .....	
" ..	First National Bank, Temple...	Geo. E. Wilcox, <i>V. Pr.</i> ...	
VT.....	Castleton N. B., Castleton....	D. D. Cole, <i>Cas.</i> .....	H. I. Cole.
" ..	Baxter Nat'l Bank, Rutland...	John W. Cramton, <i>Pr.</i> ...	H. H. Baxter.
WAS. T.	Merchants' Nat'l B'k, Tacoma..	Henry Drum, <i>Cas.</i> .....	N. B. Coffman.
W. VA.	Wellsburg National Bank, }	J. S. Beall, <i>Cas.</i> .....	Wilson Beall.*
	Wellsburg. }	E. W. Paxton, <i>Ass't Cas.</i>	J. S. Beall.
CANADA	Can. B'k of Com., Dunnville...	J. M. Duff, <i>Mgr.</i> .....	B. Shepherd.

\* Deceased.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from August No., page 154.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3232	People's National Bank..... Greenport, N. Y.	S. Wells Phillips,	Carroll F. Norton,	\$ 50,000
3233	Third National Bank..... St. Paul, MINN.	Walter Mann,	Richard E. Stower,	500,000
3234	Milford National Bank..... Milford, OHIO.	John B. Iuen,	W. M. Sanford,	50,000
3235	First National Bank..... Cheboygan, MICH.	John W. McGinn,	Geo. W. Reynolds,	50,000
3236	Charleston National Bank..... Charleston, W. VA.	Geo. S. Couch,	Chas. P. Mead,	50,000
3237	First National Bank..... Rapid City, DAK.	Richard C. Lake,	James Halley,	50,000
3238	First National Bank..... Humboldt, NEB.	F. W. Samuelson,	C. E. Waite,	50,000
3239	First National Bank..... St. Louis, MICH.		A. B. Darragh,	50,000
3240	First National Bank..... Sutton, NEB.	Geo. H. Cowles,	L. D. Fowler,	50,000
3241	Farmers & Merchants' Nat'l B'k. Clarksville, TENN.	Horace H. Lurton,	John W. Faxon,	100,000
3242	First National Bank..... Howard, KAN.	Thos. S. Krutz,	Thos. S. Fuller,	50,000



## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of August was one of improvement. Not in business, however, as it was the dullest month of the year—and the dullest August in years. The exchanges of the leading cities have shown a steady falling off through the month, throughout the country, New York still leading in the decrease by nearly two to one. The decrease, compared with July of this year and with August of last year, also, was equally marked. The improvement, therefore, has been of another character. It has been in confidence, as compared with the early summer months when the panic in Wall Street was threatening to extend to the banks throughout the country, and through them to commercial, as well as financial, affairs. This fear has now generally given place to hopes of a material and general improvement in the amount of business to be done this fall. The prime cause of all this has been the growth and the maturing of bountiful crops of almost everything, in all parts of the country, by which the basis for this expected improvement in trade has become general. Not only is this true of this country, but of the great agricultural world. Never, probably, has there been a year in the world's history in which so few complaints of damage to crops have been heard. As a matter of fact there has not been a failure of any crop reported from anywhere, and very little damage. The benefits of good crops are, therefore, bound to be universal and equally distributed. This, of course, precludes any portion of mankind from getting rich out of their crops at the expense of any other portion of mankind. It insures low prices everywhere, as well as plenty. The United States, therefore, is not going to be benefited by its great crops as it was from 1877 to 1880, inclusive. Then Europe had very short crops, and this country obtained maximum prices for its maximum surplus four years in succession, Europe having minimum crops three years in succession also. The result was to disturb the equilibrium between the two hemispheres. This country grew rich too fast, and Europe grew correspondingly poor. Since 1880 this order of things has been reversed. Each year Europe has become more and more free from its dependence upon America, until now it has reached its maximum production also, while the rest of the world has not curtailed its production from the abnormal point to which the four bad crops in Europe had stimulated it. The export demand for our surplus this year, therefore, is likely to be nearer the minimum than in years, unless prices are so low as to stimulate European buying for investment to hold against future bad crops, or reduced production likely to set in next year as the result of unprofitable prices for this year's crops. The five years required to bring about the change from maximum prices and minimum production to minimum prices and maximum production are now completed in Europe, and another year will probably see a smaller area under cultivation and a smaller amount of live stock raised. This curtailment of production must set in there first, as Europe cannot compete with the rest of the world in raising agricultural products. Yet it

will not affect production till another year, and may not affect prices till the following year. Meantime, Europe will require minimum imports with these maximum crops. The application of this condition of Europe to our big crops is therefore apparent. We cannot expect to export this year's surplus except at prices so far below cost of production in Europe as to tempt her to anticipate her next year's wants. Hence, with the best crops ever raised, we may not see the good times that have always been regarded as a necessary consequence. We must hold till another crop year the excess of our surplus that Europe will not take. The obvious effect of this will be a change in the balance of trade against us, and the possible exports of gold in the absence of any European demand for our railroad securities. Whether our farmers will hold this excess of our surplus, or speculators, is a question on which the earnings of the railroads largely depend and the fate of the stock market hangs. If the farmers hold back as the Bulls in grain insist, then the railroads will not get the benefit of their good crops this year. In that case the price of cereals may go a little higher, or be prevented from going lower, but railroad stocks would suffer. Should the farmers sell, and this excess of surplus come forward to the primary markets to be held, the Western railroads would get the benefit of big crops this fall, and their stocks might do better, while grain would, without doubt, go lower. But the trunk lines will get very little out of the good crops unless our exports are free. It would follow, therefore, that trunk line roads are not likely to increase their earnings materially as a result of the crops, while the stocks of the Western roads may be benefited by increased earnings. On the other hand, good crops are sure to increase the West bound business of all the roads, because the farmers will sell enough to renew the wear and waste and economy since the bad crops of 1881. This will not only help the railroads, but the manufacturers of both iron and textile goods, who, in turn, can make better profits by the reduced cost of raw material, while their laborers can buy more on the same wages by the reduced cost of food. It would therefore appear that home consumption of everything will be increased and more money be made, notwithstanding lower prices than last year. All interests depending upon home trade, therefore, ought to do better, while those interests dependent upon our export trade, directly or indirectly, are not likely to see the improvement anticipated by reason of the good crops.

The marking up of railroad stocks upon this basis therefore seems fallacious, and there would appear to be room for a reaction in consequence, especially in the trunk line stocks, which are likely to suffer in addition from a trunk line war of greater magnitude and longer duration than has been seen since the trunk line pool was formed following the great war of 1876. The improvement of the past month, noted at the beginning of this article, based upon the good crops, seems to be in a measure misplaced confidence so far as higher values for these crops and of railroad stocks are concerned, while there is room for more confidence and greater improvement in manufacturing industries, manufactured goods and the dealers therein.

The money market itself has scarcely been a factor in the situation as it remains a drug; not enough having yet been called for to move the crops to keep idle money from accumulating in the banks. The Government call of \$10,000,000 three per cents., for October redemption, will still further increase the accumulations, unless a further demand for money from some source

shall set in soon. The return of people to town will, of course, give new life to the retail trade, which has suffered severely through July and August. The dry-goods trade seems to have bridged over their dull season, however, in spite of the large amount of paper maturing the past month. Failures have been less frequent, and for smaller amounts; several banks have closed during the month; but they were well scattered and due to local causes chiefly, most of which were "irregular." The Wall Street Bank was the chief instance, but that should really have closed when the Clearing-house began issuing its certificates. Generally, however, the banks have improved July and August to strengthen themselves against renewed panic or stringency this fall, and they are now generally regarded as in much better condition than before the late troubles. They have discouraged speculation, and have made an effort that is really commendable to help legitimate business, and both the financial and commercial situation seems now to be sound, unless the stock market is an exception. That has been manipulated and is still cliqued, while hog products were cornered in Chicago at high prices.

The wheat market is low enough upon the old statistical basis; but whether the value of wheat can be fixed by that any longer is a serious question. There are many who are beginning to believe in it for investment, just as they did last year, and lost heavily. The situation in Europe, above explained, should be carefully weighed, and the question answered, if the world has not come permanently to a lower price for wheat upon reduced cost of production, by reason of the general introduction of labor-saving machinery in the past fifteen years in this country and in the past ten years all over the world.

Corn is now an assured crop, and the largest ever raised. Yet the price is held up by the light stocks of old crop and a short interest. But it is only on a possible scarcity before new crop will be available. On this there is much doubt, as a considerable balance of the old crop is always held back till wheat harvesting is done, and until new crop is assured. Larger receipts of old are therefore probable, while new crop will be ready for market sooner than usual. When that arrives, if not before, corn must go much lower. October is likely to see new corn in the Chicago market this year. All the other cereal crops are secured, of fine quality and in fine condition, which is unusually true of the whole world's crops this year. Cotton is the only probable exception to this general rule, and even that may not prove such, as the fears for that crop are as likely to prove unfounded as not. At all events the present rate of consumption will permit of some loss in the crop without putting prices up on demand and supply. As for speculation in this article it is dead at present.

There has been a little effort to bull coffee on estimates of a short crop in Brazil. But this was the talk on which everybody was fooled last year, and people are very sceptical about another "short crop" this year. The sugar market shows little sign of recovery, although prices are below cost of producing cane, and the planters of the West Indies are about ruined. The cause is said to be the competition of beet sugar in France. The tea market still remains dead as it has been since the bull speculation collapsed last spring within a short time after it was placed on the speculative list. The iron market has been more depressed than ever, and prices have yielded all around, notwithstanding the reduced production, until the past week. There have been some good sales of steel rails at \$28 @ \$27, but otherwise little

has been done. The prospects are now improving on the surface slightly. The coal trade has been struck with almost complete stagnation, and September will see continued suspension of mining. Meantime, the tonnage of the coal roads may fall off, and their earnings correspondingly. The petroleum market has been under the control of the Bulls all the month, as it was under that of the Bears in July, and the latter have been forced to disgorge a large part of their profits made on the panic in stocks with which crude oil now moves largely. Stocks in the world are a little larger than a year ago, while the new production is falling off and production is being curtailed. Yet there has been nearly 100 per cent. advance, and a reaction would be natural and healthy. Europe is not taking much, though stocks there are 500,000 barrels less than a year ago. The stock of crude in this country is about 3,000,000 barrels more. Dairy products have worked off better this year than last, owing to prices being lower, and home consumption greater, while the higher price than last year of lard has cut off the competition from butterine, and stocks of butter are moderate in this market.

Ocean freights did better early in the month on a slight increase in the exports of wheat on the first movement of the crop. But rates are now going down again, and shippers say that the exports of grain this year will only be a hand-to-mouth trade by boat loads and not by cargoes, that trade having ended. Other markets show little change or life, and the general outlook for them, as well as all others, is for a moderate business at about steady prices with a gradual increase this fall.

Dry-goods jobbers report a marked improvement in demand for goods by interior merchants the last week of the month, when they did as much business as the average for the corresponding week of other and good years. They are only buying from hand to mouth, however, and this insures a good steady demand to replenish stocks so soon as the retail trade starts up.

Cotton goods, however, do not feel the improved demand, and print cloths are accumulating in face of reduced production. The industrial position has shown no improvement in any branch of manufacture, but rather the opposite. Yet continued improvement for iron and woolen manufactures must eventually improve the labor market, and give more general employment.

The dry-goods trade still complain of the banks refusing to accommodate them by discounting their paper, which is sold on the street at 10@12 per cent. discount for houses whose credit in the trade is considered good. In view of the long credits given in this trade, it is really an evidence of its soundness that so few failures have occurred—less than in almost any other business. The New York Clearing-house returns compare as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
Aug. 2...	\$ 288,352,800	\$ 74,741,800	\$ 31,572,100	\$ 304,616,000	\$ 14,398,000	\$ 30,161,900
" 9...	288,929,700	76,346,000	31,341,700	306,164,400	14,377,400	30,146,600
" 16...	287,840,000	77,044,200	32,166,900	306,691,200	14,328,600	32,538,300
" 23...	287,695,900	75,938,000	31,765,100	304,454,200	14,380,000	31,649,530
" 30...	287,893,200	75,916,500	31,221,900	304,152,100	14,355,400	31,100,375

The Boston bank statement is as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 2.....	\$ 137,624,100	\$ 6,696,900	\$ 4,361,700	\$ 85,215,900	\$ 22,933,700
" 9.....	138,381,100	6,706,100	4,177,300	86,960,200	22,843,400
" 16.....	138,147,300	6,783,700	3,837,300	84,743,600	22,958,300
" 23.....	138,744,300	6,844,400	4,012,100	84,842,800	23,037,300

The Clearing-house exhibit of the Philadelphia banks is as annexed :

1884.	Loans.	Reserves.	Deposits.	Circulation.
Aug. 2.....	\$ 72,061,413	.... \$ 20,235,399	.... \$ 65,836,156	.... \$ 8,094,503
" 9.....	72,200,718	.... 20,391,399	.... 65,208,469	.... 8,106,946
" 16.....	71,996,953	.... 20,294,463	.... 65,154,285	.... 8,073,649
" 23.....	71,867,385	.... 20,804,871	.... 65,826,793	.... 8,094,966
" 30.....	72,177,459	.... 21,333,213	.... 66,979,607	.... 8,090,332

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows :

QUOTATIONS :	Aug. 4.	Aug. 11.	Aug. 18.	Aug. 25.
Discounts.....	6.	6.	6.	6.
Call Loans.....	2 @ 1½	2 @ 1	2.	3½ @ 3
Treasury balances, coin.	\$ 123,346,007	\$ 122,402,693	\$ 123,838,488	\$ 125,688,827
Do. do. cur.	\$ 10,266,610	\$ 13,815,704	\$ 13,714,940	\$ 13,229,519

Single named paper is refused, unless known to be given for Merchandise.

Sterling exchange has ranged during August at from 4.85@4.85½ for bankers' sight, and 4.83@4.83½ for 60 days. Paris—Francs, 519¾@518¾ for sight, and 521¾@521¼ for 60 days. The closing rates of the month were as follows : Bankers' sterling, 60 days, 4.83@4.83¾ ; bankers' sterling, sight, 4.85@4.85¼. Cable transfers, 4.85½@4.86. Paris—Bankers', 60 days, 521¾@521¼ ; sight, 519¾@518¾. Antwerp—Commercial, 60 days, 524¾@523¾. Reichmarks—(4), bankers' 60 days, 94¾@94½ ; sight, 95@95½ ; Guilders—bankers', 60 days, 40@40½ ; sight, 40¼@40¾.

## DEATHS.

BEALL.—On July 27, aged sixty-five years, WILSON BEALL, Cashier Wellsburg National Bank, Wellsburg, W. Va.

CATLIN.—On August 10, aged seventy-five years, ALBERT L. CATLIN, formerly President of Merchants' National Bank, Burlington, Vt.

CLAGHORN.—On August 25, aged sixty-seven years, JAMES L. CLAGHORN, President of Commercial National Bank, Philadelphia, Pa.

COLLIER.—On July 24, aged sixty-nine years, JASON COLLIER, President of Lockport Banking Association, Lockport, N. Y.

HILL.—On August 19, aged sixty-nine years, JAMES H. HILL, President of National Bank of Commerce, Pittsburgh, Pa.

KINNEY.—On August 15, aged seventy years, ELI KINNEY, formerly banker of Cincinnati and Portsmouth, Ohio.

LEWIS.—On August 23, EDWIN M. LEWIS, President of Farmers and Mechanics' Bank, Philadelphia, Pa.

LEWIS.—On August 17, aged sixty-four years, HENRY C. LEWIS, President of Coldwater National Bank, Coldwater, Mich.

RAYMOND.—On July 26, aged fifty-one years, GEORGE M. RAYMOND, Cashier of Hillsboro National Bank, Hillsboro, Ill.

SCHAFFER.—On August 16, aged seventy-nine years, WILLIAM L. SCHAFFER, Cashier of Girard National Bank, Philadelphia, Pa.

SKINNER.—On July 24, aged sixty-nine years, W. H. SKINNER, Cashier First National Bank, Battle Creek, Mich.

TILDEN.—On August 10, CHARLES TILDEN, President of Bank of Louisville, Ky.

VAN ALLEN.—On August 11, aged seventy-one years, ADAM VAN ALLEN, President First National Bank, Albany, N. Y.

THE

# BANKER'S MAGAZINE

AND

## Statistical Register.

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### BANK EXAMINATIONS AND BANK DIRECTORS.

With every public revelation of a fraud in banking, the newspaper press criticises sharply the present method of bank examinations. It doubtless echoes the views entertained by many persons. Bank examiners are employed for a specific purpose, and it is popularly supposed, therefore, that if competent and watchful, they will at all times guard the institutions entrusted to their oversight against wrong doing.

Again and again have banks failed, and the inadequacy of bank examinations to guard against fraud has been clearly shown. Notwithstanding this well-known fact, many yet adhere to the opinion that the failures grow out of the imperfect work of the examiner, and might be prevented if he were the man fitted for his place. Now if people thought a little more closely before pronouncing their criticisms, they might be led to conclude that the long list of failed banks proves that examinations, however well conducted, are not a complete protection against wrong-doing. This would be a much wiser conclusion than that bank examiners are incompetent and unfit for their place. The truth is precisely this: Bank examinations, however ably conducted, are at best imperfect, and must necessarily be so. This imperfection grows out of the inherent difficulty of the business. Several years ago the directors of one of the large banks in New York City determined to examine the institution themselves. So much had been said concerning the careless and indifferent methods practiced by bank examiners that on this occasion the bank directors determined that for once they would make a thorough examination on their own private account. The



president told them that he thought it would be an interesting thing for them to do. The novelty of the undertaking he was sure would render it enjoyable. They asked him where to begin, and he suggested that perhaps it might be well first to count the cash, a work requiring considerable time, but not difficult. The next step suggested by him was an examination of the paper held by the bank. The third step he suggested should consist of an examination of the ledgers. There was a series of them to examine, and some of the accounts were lengthy. After looking into these for a time, the bank directors awoke to a pretty clear realization of the magnitude of their undertaking. It was much larger than they at first supposed. In truth, to have examined that bank thoroughly, weeks of time would have been required. After this experience they learned what a bank examination meant. The truth is, if banks were examined thoroughly, an examiner would be needed for almost every bank; certainly for every one conducting a large business. Many banks themselves conduct examinations from time to time. Men are shifted from place to place whenever possible, and all the guards which long experience can devise are employed to prevent frauds. Every new device and guard against them is hailed with pleasure by the banking community, and nothing is further from the truth than to suppose that every well-conducted bank is opposed to efficient examination. They make them whenever they can. They also invite examination from outside. They well understand that by inviting examination, and conducting it honestly, the higher will be their standing. It is true that here and there a bank is opposed to examination, not so much, however, from unwillingness to have its affairs known, as from lack of confidence in the worth of examinations.

What, then, is the use of continuing bank examinations by the Government? Simply this, that in making them, even if not extending to every detail, errors may be found if they have been committed. Those employed in banks knowing these things are probably led to do their work with greater care than they would if examinations were unknown. If there be anything wrong in the management of the bank, an examiner is just as likely to detect it as otherwise; hence he performs a real service to the community. It is true that frauds are committed. His eyes may be blinded, and the bank officials prove too sharp for him, but let it be remembered that while this is sometimes the case, he has served a good purpose in checking more than one fraud. In many cases the fraud would have become much worse except for his detecting it at the time he did.

With regard to private examinations, these may prove inadequate like public ones. When, therefore, the plea is occasionally raised for abolishing public examiners, and requiring depositors and stock-

holders to look out for themselves, what is the answer? That the persons most directly concerned in banks would probably be fooled and cheated just as they are now. In some cases private examinations might prove more effective. But the probability is, that on the whole, they would be no more efficient than public examinations. Banking is a business of confidence, and somewhere this element must reside. There is no method of eliminating it, except by abolishing the banks themselves. If these institutions are to exist, persons must be trusted, and if they are, now and then one is likely to prove recreant. This has been the past history of banking and will be its future history until the millennial age.

It is often said, when defalcations occur, like that of the First National Bank of New Brunswick, for example, if directors performed their duties, failures and frauds would be unknown. But such criticisms on bank management have their origin mainly in ignorance of the business. A bank, like every other institution, to be well managed, must be a one-man power. A bank managed by its directors, unless it were a small one, would not probably be very successful. The president of a New York City bank once told the writer, several years ago, that his bank had never lost but three pieces of paper, which were discounted by the board during his absence. His practice was to discount all the paper himself, and the board merely ratified his action. The bank under his management was remarkably successful. The same thing is true of pretty nearly all successful banks. One man must be at the helm. The business must rest on his shoulders, and the responsibility be undivided. He must study the character of the dealers of the bank; he, if any one, should know to whom money can be safely lent. To remove this power from him, and entrust it to a board of directors would be a dangerous thing. Directors do not conduct successful banks. They cannot conduct them, and if they attempted to do so, the probability is that the success of their institutions would be less marked.

But they can do one thing. They can watch the conduct of their president or manager. They can, without much difficulty, find out whether he is devoting his chief energies to his bank or to outside undertakings. They can find out whether he is speculating in Wall Street or not, whether he is at the head of a syndicate for building railroads or developing mines or other enterprises. Now when a board finds out that the president of their institution is thus engaged, they have a very plain duty to perform, namely, to demand his resignation. If the president of a bank has larger interests outside than inside, except in cases where he is nominally the president, nothing is plainer than that the interests of the bank are likely to suffer. No bank should have a speculative president or cashier. They are dangerous persons to

have around. If they choose to make money in Wall Street well and good, but they should have no part nor lot in the management of a bank while engaged in such risky money-making or money-losing business.

This plain and obvious duty has been sometimes overlooked. Directors have known that their chief was speculating, was heavily interested in syndicates, was absent a good deal from his bank, and showed in many ways that his mind and interests were elsewhere. The directors of the Metropolitan National Bank knew perfectly well what Mr. Seney was doing for several years before the collapse. The same thing is true with respect to other derelict bank presidents. In these cases the directors have been plainly derelict in not demanding the resignation of such officers, and putting men of a different type in their place.

This is the chief duty of a board of directors—to elect competent officers for the management of their bank, and to watch over their conduct, and to see that at all times they devote their chief energies to the business. When bank managers are not faithfully performing their duties, and are speculating or largely engaged in outside enterprises the directors should speedily intervene. A president or cashier should understand that if he determines to engage in other business than that of the bank, his resignation will be expected of him. If this course were faithfully pursued by bank directors, speculations by bank officials would diminish, and defalcations would be less frequent. They would prove more valuable and efficient officers, and the business of banking in every way would be better conserved.

Growth in confidence is one of the shining proofs of the moral progress made by the world. In ancient times there were no banks and no public debts, for men were lacking in the faith necessary to create these things. Money was loaned to some extent, but the high rates of interest paid were the unmistakable moral gauge set by lenders. When one considers the enormous mass of credit transactions of our day, and the small number comparatively unfulfilled, there is more reason for regarding the nature of man hopefully than for sorrowing or despairing over it. Banking institutions are the highest outcome of faith in men in business matters, and neither recent nor older experience justifies the sweeping view of moral crookedness among banking officials, which some persons seem to delight in exhibiting. Happily, their performance is largely of the magic lantern kind. When faith in men with respect to business is considered in its broadest and clearest light it will be seen that of all classes bankers have the least abused the trust reposed in them. When we consider the thousands of business failures which occur annually, and how many of them are permeated in varying degree with dishonesty, the accusers of bank offenders should be more temperate in their judgments.

## EDUCATION OF BANKERS.

We propose to touch briefly on a delicate, yet important subject. Those who are engaged in business suppose, of course, they understand it, and yet, as we all know, incompetent men are numerous, and this is quite as true of men in the banking business as in any other. A man having been successful as a merchant or a manufacturer, determines to organize and manage a bank. The business appears to be a very simple one—collecting and lending money. No great amount of skill would seem to be required. The business looks so simple that a great many have engaged in it, who, sooner or later, have learned that it was a very different thing from what they had imagined. Life in general is a surprise to us. The future is always unknown, covered, hidden. Even in the most familiar business, surprises are in store for the far-sighted. The banker has had his failures. When setting out in that pursuit he had a very dim conception of the dangers and perils in the way. He beheld a smooth surface, but did not see the rocks underneath. It may be well for us if every rock is not exposed to the eye; if it were, we might not dare pursue any task whatever. But if we knew where more of them were, we might guard ourselves better against dangers and failures.

By way of illustrating the unfamiliarity of men with banking business, we may refer to the experience of those who have conducted the *BANKER'S MAGAZINE* from year to year. From the beginning, inquiries have been invited from our readers. We have always been pleased to receive them, and have always tried to answer them in a careful manner. We have received many, however, which have not been published, that never would have been made by persons having much experience in the business of banking. It would not be fair to say they arose always from ignorance. But there are many successful bankers who, after all, have not the knowledge of their business which they ought to have. Our country has been a marvel to the world for the last hundred years in the way of enabling men to make fortunes through luck or accident. It has been so rich in natural resources that many men without much knowledge or experience have suddenly reaped enormous fortunes. Their success has led them to take very erroneous views concerning business. They have thought that their success justified others in embarking in the same business, and possessing no better pecuniary or mental outfit than their own. Some of them have been very successful as bankers, without much train-

ing in the business. So they think that almost anyone can be a banker like themselves.

Now, this way of looking at the subject is quite wrong. Whatever may be said concerning the fortunes made in this country during the last hundred years, one thing is clear, that competition has become sharp in all kinds of business. Greater prudence and sagacity will be demanded of men in order to make corresponding gains in the future. The gold that grew on bushes has pretty nearly all been shaken off, and, to get more, the bushes must be cultivated; but this is a very different business from simple gold-picking. We could give the names of several banks which were started by men who had been very successful in other kinds of business, but who proved inferior bankers. They saved their institutions from bankruptcy by recognizing their lack of banking knowledge, and getting other persons to aid them who possessed the requisite skill and experience.

The time has come for bankers to consider the need of providing a better banking education for those who are engaged, or who propose to engage, in the business. Mr. Odell, of Chicago, read a timely paper on this subject at the last meeting of the Bankers' Association. He gave some accounts of the methods pursued in Great Britain in educating the banking classes. In London and in Edinburgh, for several years, courses of study had been prescribed, and examinations held for those who wished to acquire a more thorough knowledge and fitness for the banking business. We have received regularly copies of these examination papers. The papers are full of interest, and we wish they might be seen by a larger number. Mr. Gage, in his inaugural address at the last Bankers' Convention, uttered some words on this subject, which, grounded on his long and rich experience as a banker, possess deep significance.

Some persons maintain that the way to make a banker of a man is to put him into a bank. This is a ready answer, but in our judgment it is not the best one. It was formerly said, when you wish to make a mining engineer of a young man, put him in a mine; yet it has been clearly proved that a mining engineer, who has had the discipline and knowledge acquired in a good mining school, becomes a better mining engineer than the one who has had no such training. A school does not produce a mining engineer, but the persons who acquire this preliminary education become more skillful than other persons. Mental discipline is a real thing. It possesses a great value, and this can be acquired in a mining school in a larger degree than in a mine. And the same is true with respect to a banker. No course of education can make a full-fledged banker or doctor, but a course of education carefully framed may serve a highly useful purpose in the way of strengthening the mind, of giving one a more complete command of his powers, of

furnishing him with a larger mental and moral equipment, thus fitting him to attain success more surely than if he had no such education. If this view be correct, the question may be asked whether the bankers of this country should not seek to vitalize the ideas advanced by Mr. Gage and Mr. Odell and others who have studied the subject. We believe the time has come for inaugurating a movement in this direction. It is just as practicable for us in this country to prescribe a course of study, and hold examinations, as for the bankers in the old world. Nay, more, in the larger cities especially it is neither impossible nor impracticable to form classes, and to get competent persons to direct the studies prescribed. We are quite sure that if this were done, the results would soon be manifest in all the departments of a bank. Simple, in some respects, as the business of banking is, it may be improved, and this would be done if a higher degree of intelligence were employed. Bankers can do a good work in preparing a way for this higher education at little cost, and with a bright prospect of a rich return.

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### A SOUND PAPER CURRENCY.

My attention having been directed to an interesting paper on "The Banking and Currency System in its Relation to the Business of the Country," which was furnished by the Hon. Hugh McCulloch to the Bankers' Convention at Saratoga, I request permission to submit some observations on an important branch of the subject, and also on a notice in the September number of the *BANKER'S MAGAZINE* of a recent publication of some papers of the late Professor Jevons. Mr. McCulloch has, in his paper, discussed the question "Of what shall the paper currency consist?" and he holds that "there can be no credit reliable enough for the basis of a National paper currency, except the National credit." He would evidently prefer the National bank currency secured by the deposit of United States bonds, but he apprehends, and apparently with just cause, that the banks "will soon be deprived of these bonds." What, then, is to be the basis of the currency in future? Mr. McCulloch is opposed to the resumption of State bank issues, and he moreover admits that "the existing legal-tender notes are popular with the people." He fears, nevertheless, that in the event of the abandonment by the National banks of their present issues, "there would be an irresistible demand for further, if not unlimited, issues." The consequence would be an inflated currency, and, to use the language of the paper, "a period of hollow and seductive prosperity, to be followed by widespread disaster."

Mr. McCulloch, by way of warning, points out that "other nations have resorted to Government notes when bankrupted by war or extravagance," and the main object of his paper appears to be to establish the necessity of making some kind of provision for the continuance of the National bank circulation. Concurring, as I do, in McCulloch's opinion, that the true basis of a National paper currency is the National credit, and an adequate reserve of coin to secure convertibility on demand, I wholly fail to realize the force of his objection to the existing legal-tender notes. Surely it will not be argued that Congress cannot prevent unlimited issues, and especially with such a precedent as Sir Robert Peel's Act of 1844, which, after forty years' experience, is held by the highest authority to have provided a National currency which is almost universally acknowledged to be free from objection.

I have often had occasion to notice the prevalence of misconception on the part of United States writers on the subject of the Bank of England notes. The object of the Bank Act of 1844 was to effect a complete separation between the issue and banking departments of the Bank of England, and to prescribe such rules for the former as to make it practically a Government bank of issue. It surely will not be denied that a bank whose issues are based on Government securities and coin and bullion, and which are regulated by Act of Parliament, is practically a Government bank. Why, then, I would ask, should Mr. McCulloch be apprehensive of "unlimited issues"? Surely Congress can prescribe regulations that will effectually prevent over-issues as easily as the Parliament of the United Kingdom has done.

It is now a little over ten years since the late Mr. J. E. Williams, President of the Metropolitan National Bank, advocated, in a letter addressed to the Hon. Mr. Sherman, Secretary of the Treasury, the assumption by the United States of the sole issue of a paper currency. Towards the conclusion of that letter Mr. Williams made the following remarks: "This principle is recognized and acted upon by the Bank of England. That institution has cut off the issue from the discount department almost as completely as if it were another corporation. Why should not we imitate England's example, but improve upon it by giving to our forty-three millions of inhabitants *all* the profits to be derived from a circulation throughout our country, instead of sharing it with 2,000 banks, estimated to have some three hundred thousand stockholders?" Mr. Williams was mistaken in supposing that the Bank of England had "cut off the issue." It was Parliament which, on the advice of the Prime Minister, availed itself of the termination of the Bank Charter to impose new conditions, and with reference to "all the profits," Mr. Williams was probably unaware that the bank is paid a specific annual sum to cover its expenses, which is probably no

more than would be the cost to the Government if it made the issue through its own officers. Concurring, as I did, in Mr. Williams' opinion as to the importance of a strictly Government issue, the profits on which would be derived by the nation, I ventured to criticise some of the details of his scheme, which he was good enough to make the subject of a letter addressed to me on the twenty-sixth of March, 1875. One of the points on which we differed has since been completely set at rest, as Mr. McCulloch admits in his paper. Mr. Williams had not contemplated in his first letter that the Government notes should be a legal tender, as are those of the Bank of England everywhere in England, except at the head office. I pointed out the importance of making the United States notes a legal tender, except at the office of redemption in New York. Mr. Williams, in his reply, stated, "The fact is, I first wrote legal tenders, but, on reflection, altered that to coin notes." His reason was the popular prejudice against legal-tender notes, and "the conflicting decisions of the United States Supreme Court as to the constitutional right of Congress to create such legal tender." I attach more importance to the notes being legal tender than Mr. Williams appears from his letter to have done. He relied on the fact that coin notes payable in New York would be worth more than par in every part of the country, but while admitting the correctness of that opinion, I contend that banks which are liable to be called on for deposits, payable on demand, must hold legal-tender reserves, and would therefore be compelled to keep those reserves in coin if the United States notes were not a legal tender. Mr. McCulloch admits that there is no longer any apprehension that the Supreme Court may decide against the authorization of legal tenders by Congress.

The other point on which I differed with Mr. Williams was as to the conditions of issue. I feel assured that the Bank of England system is the safest and best. Mr. Williams, although an advocate for convertibility, was inclined, I thought, to maintain too small a coin reserve. Estimating the circulation at eight hundred millions, he proposed a coin reserve of one hundred and fifty millions. I thought that four hundred millions was as much as it was desirable to issue on securities, and that all beyond that should be on the basis of coin, the former amount to be fixed, and the coin and notes to be automatically exchanged for one another at the head office in New York, as public requirements should dictate. I thoroughly believe in the Bank of England system, with certain improvements not inconsistent with the principle on which its issues are based, but which are not applicable to the United States. Mr. Williams seemed to me apprehensive of keeping too large an amount of coin lying idle, while I am strongly of opinion that it is better, in times of prosperity, to have large reserves which might certainly



be utilized at periods of commercial embarrassment in England, and probably likewise in the United States. Without, therefore, presuming to name the precise amount that it would be perfectly safe to issue on securities, consisting solely of bonds of the United States, or the liability of the nation, I maintain simply that there should be a coin reserve adequate to meet all possible contingencies. It would be desirable, if practicable, to compensate the National banks for the loss of their circulation, which, of course, has become much less profitable since the reduction of the interest on the National debt. All bank taxes should certainly be abolished, and as some National banks have voluntarily abandoned their circulation it is probable that some satisfactory arrangement could be made.

The reference in the paper entitled "Financial Facts and Opinions" to a paper of the late Professor Jevons, advocating the issue of £1 notes of the Bank of England, induces me to offer some remarks on the comments thereon of the writer of the article in the BANKER'S MAGAZINE. I noticed with satisfaction that Professor Jevons was favorable to the issue of £1 notes "on the former basis of the Bank Charter Act of 1844." I admit that it would be quite safe, with such an issue, to increase the amount of the issues on securities, but I contend that it would be sound policy to increase the gold reserve in the issue department, so as at all times to be prepared to assist the commercial classes during a crisis, in a mode that I shall point out, specially applicable to the United Kingdom. In the year 1876 I contributed a paper on "Currency and Banking" to the Manchester Statistical Society, having been encouraged to do so by Professor Jevons, through whom I sent the paper, which met his approbation. I argued in favor of the £1 issue as a means of increasing the gold reserve in the issue department, so as to justify Parliament in authorizing that department to make a loan not exceeding ten millions sterling to the banking department, on Government securities, and when the rate of interest was not less than a given rate, fixed by me in the paper at seven to eight per cent., but which I would now reduce to six per cent. The object was to prevent the necessity of resorting hereafter to those suspensions of the Bank Charter, which are objectionable in principle, and which have always been postponed until the Bank of Discount was on the verge of suspension. It is a peculiarity of the English system that the commercial classes are, in times of crises, obliged to rely mainly on the Bank of England, which has never been backward in affording all the assistance in its power, so that its ordinary reserve has been reduced to an amount so small that it was literally at the mercy of its depositors. Even under the present law the issue department has, on the various occasions when the existing regulations were suspended, been enabled to render to the banking department all the aid which it required; but I

hold that it would be more desirable to strengthen the gold reserve in the issue department, and to empower it to make loans to the banking department on the securities of the nation, when the rate of interest reached a prescribed rate, and with the further condition that the reserve of the banking department should never fall below a stated amount, unless the minimum rate of interest were raised to that prescribed as a condition of the loan. Such a provision was intended to guard against the Bank of Discount allowing its reserves to fall too low, owing to its reliance on being able to borrow from the Bank of Issue. Such is a brief statement of my contribution in 1876, which I have reason to believe met the approval of Professor Jevons, and which will enable the writer of "Financial Facts and Opinions" to estimate the importance of increasing the gold reserve in the Bank of Issue by the substitution of £1 notes for the large amount of gold in the hands of the public. I venture to think that the soundest paper currency which can be devised is one which is based on the principle of the English Act of 1844, and which was enunciated by Mr. Lowe, the present Lord Sherbrooke, when Chancellor of the Exchequer in 1872, in the following words, with which I shall close these observations: "It is generally recognized that the issue of bank notes is the creation of money, and that the creation of money is the business of the State, not of any trading association; hence, it follows that the issue of such notes by private banks is rather an anomaly which we may tolerate, than a right which we ought to extend. A mixed currency, composed partly of the precious metals and partly of paper, cannot be in a sound condition unless it complies with the three following conditions: First, the paper must be convertible into coin on demand; second, sufficient security must be held by the issuers to secure the payment of the notes; third, mixed currency must be at all times exactly of the same amount, and consequently of the same value as a purely metallic currency would be." Such were precisely the views of the late Sir Robert Peel and of Lord Overstone.

F. HINCKS.

MONTREAL, September, 1884.

## FINANCIAL FACTS AND OPINIONS.

The amounts and descriptions of United States bonds deposited for bank-note circulation were as follows, at the dates named :

	June 7.	July 19.	September 6.
Currency, 6s.....	\$ 3,498,000	.... \$ 3,498,000	.... \$ 3,498,000
Coin, 4½s.....	45,087,000	.... 47,248,950	.... 48,860,450
" 4s.....	110,188,200	.... 113,209,900	.... 115,894,900
" 3s.....	177,349,950	.... 169,087,150	.... 162,950,750
	<u>\$ 336,123,150</u>	<u>.... \$ 333,044,000</u>	<u>.... \$ 331,204,100</u>

Between June 7 and September 6 three calls for the threes matured, each of the calls being for \$10,000,000, or \$30,000,000 in the aggregate; and the reduction of the deposited threes was \$14,399,200, but this was partly made good by an increase of \$3,773,450 in the deposited four and a-halves, and of \$5,706,700 in the deposited fours.

The importations of dry-goods at New York from January 1 to September 12 of this year were officially valued at \$89,049,615, as compared with \$91,691,018 during the corresponding period of 1883. The change in the method of valuation, pointed out by the Statistical Bureau, more than accounts for the slight falling off, so that the actual foreign cost was less last year than this. In addition to that, current market prices abroad of dry-goods, as of nearly all merchandise, are much less this year than last, and it must, therefore, be true that the *quantities* of the dry-goods importations are much greater than in 1883. Europe does not intend, and cannot afford, to part with its gold, and, no matter how low the prices of its merchandise go, it will pay in goods, and not in money, for all that it needs of American food production, and it has the satisfaction of knowing that the agricultural staples which it buys have fallen in price quite as much as the manufactures which it sells.

During August there was a decrease of \$1,247,886 in the amount of outstanding National bank notes, and a decrease of \$481,176 in the cash deposited in the Treasury for the retirement of such notes. There was, therefore, a net reduction of \$766,710 in the National bank circulation, or about one-third of the addition made to the currency by the coinage of silver. A monthly addition of about \$1,500,000 is made by the gold produced in our domestic mines in excess of the home consumption in the arts. An addition of about \$40,000,000 annually to the currency is required, in order to make its increase proportionate to that of the population.

The tariff of 1883, as is well known, changed the method of fixing the valuation of imported goods by excluding, instead of including as

formerly, the foreign mercantile commissions, the cost of the necessary casings and coverings, and the charges of internal transportation from the points of production to the points of shipment. The changes were made, not so much for the purpose of reducing the duties, as in the interest of simplification, and to get rid of the vexatious labor, uncertainty and expense of computing a great number of small charges. The effect of the changes to reduce duties has been much more considerable than was expected. But it is their effect of another kind to which we now wish to call attention, and that is to make our favorable merchandise balance of trade for the last fiscal year appear better, in comparison with the preceding fiscal year, than it would have appeared if the changes had not been made. In a recent statement on the subject, Mr. Nimmo, of the Statistical Bureau, says: "It is estimated that if the method of computing import values had not been changed the actual value of the imports for 1883 and 1884 would have been nearly equal, instead of showing an apparent falling off about \$33,000,000."

The decrease of the net public debt during August was \$8,542,850, making the decrease during the first two months of the current fiscal year \$12,536,141, or at the rate of \$75,216,846 for the whole year. So great a reduction as that is, however, not probable, as the commercial depression may be expected to still further curtail our imports and tariff revenue. The available cash balance in the Treasury at the end of August was \$141,072,541.

A city contemporary insists that nothing can "be done by law" to repress stock gambling on margins, and that we must rely upon "the pressure of social opinion." It feels altogether sure that "when it becomes as disreputable to buy or sell stocks on a margin as it now is to bet money in a faro bank," the one "form of vice" will be no more practiced by "respectable people" than the other. At what millennial period our contemporary supposes this will happen, does not appear. In the meantime it is entirely easy, and would have a repressive effect, not only upon stock gambling, but upon gambling on "futures" in produce, for Congress to impose a stamp tax on all contracts of either description. We trust that Congress at its next session will do precisely that thing. Good revenues would be obtained by it, and the collection, if the tax was moderate, would be easy and certain. A little judicious "law" assists the moral sentiments wonderfully.

The London *Investors' Manual* says that of the 785 millions sterling of the share and debenture capital of the railroads in Great Britain and Ireland, 100 millions may be regarded as "water," from consolidating operations, and from issuing shares and debentures at prices below par. In making this estimate it no doubt adopts the view of the case commonly held in England, which must be taken as approximately correct, and if it is so, the actual investment in

British railroads to this date has been 685 millions sterling, or \$3,425,000,000. This includes, however, very large Parliamentary expenditures, and payments for land and rights of way not only actually heavy, but far in excess of the value to the owners of the property taken. In this country the "water" in the aggregate share and bond capitalization of the railroads, instead of being one-eighth, as in Great Britain, is commonly supposed to be, on the average, at least one-half,

When a depression exists in such commodities as are internationally dealt in, it must necessarily be universal throughout the commercial world. It is, therefore, not surprising to find the Paris correspondence of the London *Economist* of August 30 saying, in respect to France, that "all trade reports represent merchandise as difficult of sale, even at the reduced prices."

The six months ending with August, covering the period of the introduction by the British Cabinet of the bill to reduce consols from threes to two and a-halves, of the adoption of the measure by Parliament, and of its assured working success, have naturally witnessed a large rise in the selling prices of such other British securities as are esteemed to be entirely sound. The debentures of the British railways, aggregating 180 millions sterling, have, in that time, risen, on an average, ten per cent.; railway guaranteed and preference shares, aggregating 300 millions, have risen five per cent.; the bonds of British cities, aggregating fifty millions, have risen five per cent.; and the debts of the colonial governments (including India) aggregating 200 millions, have risen from two and a-half to three per cent. If England perseveres in the new policy of reducing the principal of its debt, which was forced upon it by the steady diminution of the debt of this country, the interest on British consols will be lowered before the end of the nineteenth century to two per cent.

The London *Economist* of August 23 says it has good information that the Conference of the Latin Union at the end of this month will be harmonious in prolonging the present treaty for five years, on the basis of continuing the present suspension of silver coinage, and of the agreement of each party to redeem its silver at the end of the term from the other parties, either in gold or in the currency of the country which demands a redemption. The *Journal des Debats*, supposed to be inspired by Leon Say, the French Ex-Minister of Finance, says that the further proposition will be made to suppress such small gold coins and notes as interfere with the circulation of the silver five franc pieces, but it is not probable that Italy would agree to such a proposition. At this distance it looks as if the silver circulation in the Latin Union would continue indefinitely. The mass of it is so great that it could not be exchanged for gold, except at an enormous loss, and at the same time it is

not so great that there is any difficulty in maintaining its equality of value with gold. It is understood that Greece, the currency of which consists of suspended and very much depreciated bank notes, will retire altogether from the Latin Union.

British advices speak of the great fall which has taken place in the prices of agricultural estates in England. It is stated as an example, although it is probably an extreme case, that \$100,000 is the highest price offered for an estate in Lincolnshire, for which the owner refused three times that sum twelve years ago. A decline in the same kind of property is going on all over the Continent of Europe, although not so great a decline as in England. It is reported to be more marked in Holland than anywhere else on the Continent. The main cause is the competition of the United States and some other parts of the world in the production of cereals and meats, in connection with the great fall in the rates of ocean freighting; but an important auxiliary cause is the constriction of metallic money. Taking the income, as assessed for taxation, of real estate of all kinds in Great Britain, the fall within three years has been only about six per cent, which seems to indicate that town and city rents hold up tolerably well.

The net revenue which the British masters of India have received during the past twenty-five years from forcing opium upon China, has aggregated 168 millions sterling. During the ten fiscal Indian years ending March 31, 1881, it amounted to seventy and a-half millions sterling. The total net Indian revenue is about fifty millions sterling, and the opium receipts form, therefore, a very important part of it. These receipts are threatened now with a considerable diminution from the increase in the Chinese home production of opium, and from the difficulties between China and France.

At a meeting in Paris, September 6, of the directors of the Panama Canal, it was voted at the instance of M. Lesseps to issue "a fresh batch" of four-per-cent. bonds for 500 francs each, at the price of 313 francs each. It is not stated how large the "batch" was, nor how long the bonds had to return. With the confidence in the enterprise which still exists in Paris, there is little doubt that the bonds will command purchasers.

The French wheat crop, estimated, before harvesting it, at from 275 to 300 million bushels, is now estimated at 330 million bushels.

According to official reports the production of silver during the year 1883 was of the value of 3,231,000 florins in Austria, and 2,906,000 florins in Hungary, the aggregate gold value being about \$2,500,000.

After each of the panics of 1857 and 1873 a decided majority of the New York Clearing-house banks voted against the continuance of the policy of paying interest on deposits, but the practice has contrived to survive to the present time.

The under valuation of the imports for the last year, of course, increased the apparent balance in our favor by an equal amount.

Among the commercial reports from agents and consuls in foreign countries, printed by the British Government, is one from Sir A. Paget, giving an account of laws recently passed by the Austrian Chambers to regulate the hours of labor in mines and manufactories. In mines, the maximum of labor permitted is ten hours out of twenty-four; the employment of children under fourteen years is prohibited, and as to children over that age, and females of all ages, their employment at night is prohibited. In manufactories, the maximum of labor permitted is eleven hours out of twenty-four; the employment of women and children at night is prohibited; children under fourteen years are not to be employed "in any regular work," and children between fourteen and sixteen years are "only to be employed on such light work as would have no prejudicial effect on their health." In both mining and manufacturing, Sunday is required to be observed as "a complete day of rest." The opponents of these laws, who were not, however, very numerous, insisted that they infringed upon "the laborers' individual liberty of action," and that "the interests of the manufacturers would be seriously interfered with." To this the majority, supported by the Cabinet, replied that there was a "necessity of improving the social position of the lower classes," and that nobody would be injured except "unprincipled employers, whose heartless conduct had made these measures necessary."

One of our city contemporaries said not a long time ago :

The week has passed without financial events of great importance, but, with easy and abundant money, there has been a decline in both grains and stocks. It is obvious that the two movements are inconsistent.

On the contrary, "easy and abundant money" invariably accompanies, and is one of the inevitable consequences of a low and declining general range of prices. The London *Economist* published recently a table covering a lengthy period of years, showing that low rates of interest, and low prices of commodities, were always found together. Money is "easy and abundant," when there is more of it ready to be loaned than there is demand for, and this must and does happen at every period of depression in trade, when prices are falling, and when there is little inducement either to produce articles for the market or to buy them for the profit of selling them again.

The English wheat or harvest year ends August 31. During the last week in August the price of wheat in England was 35s. 1d. per quarter, the lowest during the nineteenth century, but the *Mark Lane Express* thinks it will fall to 30s. before August 31 next. The average price during the whole year ending August 31 last was 38s. 5d., being the lowest during any whole year since 1780.

## PRESENT AND PROSPECTIVE PRICES.

Rather more than a year ago (May 7, 1883) the *London Times* said, of the prices of commodities :

Prices at the present day are as low, or nearly as low, as they were in the old days before the great gold discoveries had been made.

That they have been still falling since May, 1883, is well known. The *London Economist*, of July 5, 1884, in its semi-annual review of the prices of commodities, says :

Nearly every description of commodity is cheaper than when the year opened, and 1883 was a cheaper year than 1882, and 1882 was cheaper than 1881. Prices have, in fact, been falling steadily for the past three years. . . . As a whole, prices were lower in June, 1879, than at any time since the gold discoveries ; yet, at the close of June, 1884, they are lower still.

The comparison made by the *Economist* of the movement from January to June, 1884, of the prices of thirty-six leading articles of merchandise, shows a fall in twenty-eight, a rise in only six, and two remained stationary.

The *London Times*, in July, 1884, reviewing the trade of the first half of the year, said :

The markets for most commodities have for some time past fallen continuously. The produce markets, in particular, have defied calculation. The impression is gaining ground that the average level of prices will not in the future be as high as in the past.

The lowest mark of general prices hitherto reached during this century was during the six years ending with 1850. Jevons estimates that during the forty years following 1809, when the yield of the mines in Spanish America began to fall off as a consequence of revolutionary troubles, the general purchasing power throughout the world of metallic money, and the same thing was necessarily true of paper kept at a parity with the metals, increased 145 per cent., which means a fall of fifty-nine per cent. in general prices. It is agreed that the fall in the purchasing power of money—or, what is the same thing, the rise in the prices of commodities— which followed and was caused by the California and Australian gold discoveries, culminated about 1865.

As to prices in Great Britain, a former editor of the *Economist*, the late Wm. Newmarch, was in the habit of taking as a basis the index number of the combined average prices of twenty-two leading commodities during the six years ending with 1850, and of comparing with it the same index number for subsequent years. That practice is still continued by the *Economist* and many other



English authorities, as giving a roughly correct view of the changes in prices. Brought down to the present date, this method gives the following results:

	<i>Index Number.</i>
Average of six years ending with 1850.....	2200
January, 1866.....	3564
" 1871.....	2590
" 1873.....	2947
June, 1879.....	2202
January, 1880.....	2538
January, 1884.....	2221
June, 1884.....	2182

The rise in the index number from 2,200 during the six years ending with 1850 to 3,564 in January, 1866, marks the culmination of the effect of the gold discoveries. The rise between 1871 and 1873 was caused by the inundation of Europe by the gold and silver which was lost by France as a consequence of misfortunes in its war with Prussia, the suspension of specie payments, and enormous issues of paper by the Bank of France, and the payment of the famous five milliards exacted as a war indemnity by the victorious Germans. If the recovery of prices after June, 1879, was anything more than that reaction which always takes place when the lowest point of depression has been reached, it is difficult to see what it was. There was no increase of money in the last half of 1879 relatively to population and exchanges in the commercial world, nor does there seem to have been any down to the present time. The volume of paper money has remained absolutely fixed by law in Great Britain and Germany at the point at which it stood in 1879 and prior to 1879. In the United States the volume of the greenbacks has been rigidly fixed since May, 1878, and the changes since that date in the volume of the National bank notes have not been important. In France there has been some increase of paper money, but that increase has been substantially offset by the contraction of paper and the absorption of coin caused by the Italian specie resumption, finally completed in the early part of 1883. There have been no recent changes in the volume of the paper money of either Holland, Belgium, Austria, or the Scandinavian States. The sole addition to the silver money of the commercial world since June, 1879, has been the 140,000,000 silver dollars coined subsequently at our Mints. As respects that part of the money of the commercial world which consists of gold, the evidence seems conclusive that it has increased very little, if at all, since 1879, and must now be absolutely diminishing as a consequence of the rapidly enlarging consumption of that metal in the arts.

The evidence in respect to the gold consumed in the arts and ornamentation is admirably summed up in an article contributed by Senator Hill, of Colorado, to the *North American Review* for October, 1883. Adopting the figures of Söetbeer, which he regards as

inside of the mark, he shows that this consumption a year ago in Europe, America and Australia was at the annual rate of \$69,524,511, and that it was increasing at the rate of \$1,739,413 annually, which would make its present annual rate \$71,263,924. Without referring to other Oriental countries he shows that during the thirty years ending with 1880, the average annual excess of the imports over exports of gold by India, where that metal is largely used in ornaments, was \$16,018,330, to which it may be added that during the last three years it has slightly exceeded \$20,000,000. Senator Hill also points out that the authentic statistics prove that "the consumption of gold for other than monetary purposes in Europe, America and Australia has more than quadrupled in thirty years, and has quite trebled in twenty years." Adopting the view of all the authorities on the subject, he observes that the use of both the metals for the purposes of display increases with the wealth quite as much as with the numbers of mankind, and he therefore says that in the future the employment of gold for other than monetary purposes "is sure to grow *pari passu* with the growing opulence and luxury of the world." To the consumption he adds the unknown amount "lost in the wear of coins, and by fires, shipwrecks, and forgotten hoards." With an annual production of gold not exceeding \$100,000,000, and even less than that if the Russian production has fallen off as much as the latest information would justify us in believing, it is plain that no part of it is left for monetary purposes, and that, therefore, the stocks of gold money must be at least stationary, if not declining, while the population and exchanges of the commercial world are constantly and largely increasing.

Even if it be true that, taking silver and paper together, there has been, since, June, 1879, some slight expansion of the total volume of the money of the commercial nations, the falling back of prices to the low level of that date conclusively demonstrates that the expansion has not been in due proportion to the augmented demand for money arising from enlarging population and exchanges. June, 1879, was the date of the upward turn of prices after a protracted and severe fall, which was the result of the great contraction of money during the preceding half dozen years caused by well-known circumstances, the chief of them being the resumption of coin payments in France and the United States, and the demonetization of silver in several countries. The upward turn did not then occur, as it never does occur, under such circumstances, until prices had fallen below the range due to the volume of money existing in June, 1879. The upward reaction would naturally reach a greater height than the volume of money would sustain, but the downward reaction could not have carried prices back to the range of June, 1879, if thereafter the volume of money had expanded

*pari passu* with population and exchanges. In that supposed case prices would have settled, not at the range of June, 1879, but at some higher point. In the case which has actually occurred, not only are prices back to the point of June, 1879, but we have no good reasons for feeling assured that they will not go even below that point. The shrinkage of money relatively to the demand for it is still in progress, and is at least as likely to continue as to be arrested.

The gold production of the world is actually declining, and it is to the last degree improbable that there can be such a change in the fortunes of gold mining as will make the production keep pace with the increase of the consumption of it in the arts, which is still under the same influences which have caused it to quadruple within the last thirty years, and will continue under the same influences, unless the growth of wealth in the world shall be in some way arrested.

Without doubt, the constriction of money would be relieved by an increased monetary use of silver, but the extent of that possible relief must not be exaggerated. The aggregate quantity of silver money is not made any greater by transferring it from one country to another. Without an augmented yield from the mines, of which there is no immediate promise, the supply of silver money to the commercial world cannot be very much increased above the supply it has been receiving for the last half dozen years from the coinage of silver dollars in the United States. Although consumption in the arts absorbs less of silver than of gold, the Oriental demand absorbs more of silver than of gold. No matter how many mints may be opened to silver in the commercial world, all that they can receive of it will be the surplus above the demands for the arts and for Asia. It is not certain that any new minting facilities will be given to it, here or elsewhere, and it is among possibilities that some portion of it now used as money may be deprived of the monetary function.

Germany and Great Britain are the only countries in Europe in which any considerable enlargement of paper money kept at the metallic standard is possible. Both those countries now keep such money within exceedingly narrow limits, \$250,000,000 in the aggregate. They might safely treble or quadruple it, but there is no present indication or probability that they will increase it at all, until the constriction of money reaches the point of a financial catastrophe. There is no good reason to expect that either of them will do anything to prevent such a catastrophe, inasmuch as the classes and interests which politically control them are benefited by a contraction of money and a fall in prices, provided they do not push the contraction and fall too far.

In this country, the addition already made by paper money to

the total volume of money, is twice as great as it is in Great Britain and Germany combined, although their aggregate population is about one-half larger than that of the United States. The present proportion of paper to coin is less than it was during the greater part of our history down to the civil war, but the proportion of paper to population was never larger, when specie payments have been maintained, than it is now. The field for the circulation of small paper money is already about as completely occupied in this country as it can be. Taking all circumstances together, the room for the expansion of paper is far less than it is in any of the specie-paying countries of Europe. But instead of expanding, the paper money of the United States is actually contracting under existing legislation, and there is no indication that this legislation will be changed for a good while. The inherent difficulties of changing it are considerable, and the discord of views upon the subject is so great that it will probably require a long time to concentrate public opinion sufficiently to inaugurate any new policy.

It must, furthermore, never be forgotten, that as the currency of this country is now and is long likely to be at the metallic standard, it can be expanded only *pari passu* with the currencies of the commercial nations of Western Europe, which are at the same standard. We cannot have good prices, and therefore cannot have a volume of currency large enough to cause good prices, while currency is shrinking and prices falling in other parts of the commercial world. To whatever extent we may see fit to increase the volume of our greenbacks, or bank notes, or silver dollars, the ultimate enlargement of the total volume of our money of all kinds must correspond in its percentage to its enlargement in other metallic standard countries. This equilibrium will be finally and before long brought about by an export of gold, which in the actual situation is the only exportable form of money which we possess. Every additional greenback, or bank note, or silver dollar, will either expel or prevent from coming in, not to be sure an equal amount of gold, but enough gold, to maintain, although at a higher level, the prior equilibrium of currencies between this country and other countries on the metallic standard. Undoubtedly we may, by an increase of paper, or of silver dollars, enlarge the currency of the commercial world, including our own, but the limitation of our power in that direction is, under the circumstances, a very close one. We are not exactly at the mercy of the winds and waves, because we can, to a certain degree, control our own course and destiny, but the extent to which we can control it falls far short of being a protection against the disasters which seem to be impending from the stationary yield of the mines of gold and silver, and from the policies, either sinister or insane, which now prevail in leading countries in Europe.

On the whole case, it seems to be probable, and almost certain, that the shrinkage of money relative to population and exchanges, which has been in progress in the commercial world since June, 1879, will still continue. But if the shrinkage is arrested, and if nothing worse shall happen than a protraction of the present contracted condition of money, a further fall in prices can hardly be escaped. Experience shows that the final effect of a diminution of the volume of money in existence, and an inevitable effect if the diminution is long continued, is a still greater diminution of the money which is in use as such. A business depression, which can have no other rational meaning than a fall in prices, is sometimes the temporary result of temporary circumstances. The hopefulness of mankind inclines them to believe, in respect to every depression when it first sets in, that it is of that description. There is never a lack in any country of financial cranks and wiseacres who assure them that it is so. But when the recovery of prices has been delayed for a certain length of time, they entirely lose confidence, and the locking up of money then begins. Nobody will put it into industrial ventures, and among the owners of it the competition becomes extreme to make loans upon the few securities which are in such times regarded as safe. A great deal of it cannot be loaned on conditions satisfactory to the holders, and the currency in use is still further contracted by the number and magnitude of idle hoards. Money withdrawn from circulation is the same for the time being as if it did not exist, and prices fall for the time being just as much from the locking of it up as from annihilating it. This congested condition of money is the final stage of a contraction of its volume, and it is the principal explanation of the reaction of prices which always comes when the conviction becomes general that prices will fall no lower. The hoards are then opened and money becomes practically more abundant, because its owners, instead of hiding it away, become eager to invest it in purchases and enterprises. There will be a reaction from the fall of prices which has been in progress since the summer of 1881, but the reaction is not to be looked for until the fall of prices has lasted long enough, and touched a point low enough, to cause a hoarding of it on a large scale and for a considerable length of time. That congested condition has not yet been reached, certainly not in this country, since the present depression set in, and until it has been reached, and until the further fall in prices necessarily attendant upon that congested condition has been endured, there seems to be no rational ground for anticipating an upward reaction.

Any reasoning which attempts to account for the fall of prices in this country, from any fact peculiar to this country, or to hold out hopes of any considerable recovery of prices from any remedy

confined to this country, is manifestly erroneous, inasmuch as the fall of prices is world wide. While Cuba is ruined by a fall in sugar, Ceylon at the antipodes is ruined by a fall in coffee, and the blight upon mining and manufacturing industries is coextensive with their existence.

One of the standard and accepted press organs of the financial thought of the city of New York has declared within a few weeks that the existing depression in the United States is only that temporary disturbance which it describes as being necessarily incident to a presidential election; yet there is no presidential election going on in Cuba, or in Ceylon, or in England, or anywhere except here. Furthermore, there has been no experience which should teach us to expect a depression of business as the necessary or even usual accompaniment of a presidential election. There was no such depression in 1880, when prices were moving upward from the low water mark of June 1879. In 1876, prices were lower than in the preceding year, but not so low as in the following year. In short, there was no peculiarity to distinguish 1876 from any of the years of steadily falling prices between 1873 and the middle of 1879. There was no depression in 1872, it having been the year before the crash and panic of 1873. There was no marked depression in 1868, while 1864 was a year of unusual buoyancy in business. There was no depression in 1860, as the North and South were protected from any apprehension of the impending war by the density of the ignorance in each of them as to the policy and resources of the other. There was none in either 1856, 1852, or 1844, which were all years of rather exceptional prosperity. The revolutionary disturbances in Europe in 1848 caused some depression here but not of a marked character. The depression of 1840 was severe, but like that of 1876, it was not a depression peculiar to the year as a detached one, but a continuing depression as a part of a long period of falling prices, the lowest point of which was not reached until 1843. So far as my recollection goes, the memorable prostrations of business have chanced to occur, not during Presidential elections, but in the years immediately after Presidential elections, as in 1837, 1857 and 1873.

The idea that the good crops of the present year, assured as to some of them and probable as to all of them, can have any animating effect upon general prices, is a sheer delusion. The difference between the aggregate money valuation of the crops of one year, compared with that of another, measures the difference in the additions to the capital of the country from the crops which are compared, but the general wealth may be increased without causing any increase of general prices. In fact, an increase of wealth and exchanges, without an increase of money, tends to reduce prices; and, on the other hand, if half of the property and of

the people of the world was destroyed to-morrow, prices would rise, not fall, if the volume of money escaped the catastrophe. We never had better cereal crops, coupled with better prices abroad, in consequence of the successive failures of the European harvests, than during the six years from 1873 to 1879, but they did not prevent, nor even check, the fall in the general range of prices which was continuous during that period. The abundant and well sold cereal crops, from 1873 to 1879, did not benefit general prices at all, and it is not certain that even the general wealth will be increased by the good crops of this year, in view of the certainly low, and perhaps ruinously low, prices at which alone they can be disposed of. In some conditions of the market, and that may be the case at the present time, the better crops are the worse the producer is off.

Neither the fact nor the inevitable consequences of the existing monetary conditions of the commercial world can be escaped by shutting our eyes to them. They can be best prepared for by looking them in the face.

So far as this country can of itself do anything to mitigate existing mischiefs, which is comparatively little at the best, it is very doubtful whether any of the measures proposed as remedies are politically practicable. Of three forms of money which we have in use, greenbacks, bank notes and silver dollars, there is arrayed against each of them a considerable party desiring their total suppression, and a very much larger party which is opposed to any increase of them.

As to the European Powers, whose combined influence over the magnitude of the total volume of money in the commercial world is far in excess of our own, we have no means of influencing their policies, and can never be even quite sure that we fully understand the motives and interests which underlie them. If their future management of the monetary question shall be based upon a large and wise comprehension of the situation, it will be for us a great good fortune. But if it continues to be controlled by narrow, selfish and unscrupulous interests, or by the shallow and flip-pant ignorance of the great body of their (so called) political economists, we cannot escape, with all the advantages of maintaining our currency at the metallic standard, the disadvantage that it involves us in the consequences of the monetary follies of all other countries on the same standard.      GEO. M. WESTON.

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## ADMINISTRATION OF THE TREASURY FROM MARCH TO JULY, 1861.

After a long era of peace the nation engaged in civil war. Dimly seen for a long time in the growing ambition of many opposed to the Union, the war burst at last on the country with the suddenness of a volcano or a meteor's glare. The effects of the struggle, passing beyond our country, swept over the entire earth. In the first part of our work we shall turn the light of history on the financial side of this awful contest.

On the fourth of March Mr. Lincoln was inaugurated President. For Secretary of the Treasury he nominated Salmon P. Chase, of Ohio, and the nomination was unanimously confirmed. Horace Greely had been active in urging the selection of Mr. Chase, on the ground of his well-known devotion to the anti-slavery cause. Mr. Chase declined the offer of the position when first tendered to him. He urged that he was not fitted for it, either by education or habits; he had just been chosen senator for a full term, and he believed that his appropriate sphere was in the Senate. Had his judgment not been swayed by the advice of friends he probably would have remained firm in declining the offer. In the letter containing the resignation of his seat in the Senate to the Governor of Ohio, he wrote: "It would be far more consonant with my wishes to remain at the post to which the people of Ohio, through the General Assembly, saw fit to call me. But the President has thought fit to call me to another sphere of duty, more laborious, more arduous, and fuller, far, of perplexing responsibilities. I sought to avoid it, and would now gladly decline it, if I might. I find it impossible to do so, however, without seeming to shrink from cares and labors for the common good, which cannot be honorably shunned." Without any financial experience whatever, he dared "take charge of the finances of the country under circumstances most unpropitious and forbidding." Perhaps, if he had had a clearer conception of the duties of the office, he would have been less bold in accepting it. He was then fifty-two years of age.

The credit of the Government had been undermined during the preceding administration. The revenues had fallen to a low point, the public indebtedness had increased, and money could be borrowed only at very high rates. When Congress met in December, "the treasury was empty—bankrupt. There was no money to pay the public creditors, who were then pressing for payment. There was not money enough even to pay members of Congress." In



the middle of January, General Dix, who had been appointed Secretary of the Treasury, wrote to the Chairman of the Committee of Ways and Means: "Within the last few days the amount of overdue Treasury notes presented for redemption has exceeded the power of the Treasurer to place drafts in payment on the Assistant Treasurer at New York, where the holders desired remittances to be made, and an accumulation of warrants to the amount of \$350,000 has occurred, on this account, in the Treasurer's hands, which he is unable to pay."

The Secretary of the Treasury had authority to issue ten millions of Treasury notes at par, to creditors or others, at the rates of interest offered by the lowest bidder after public advertisement of not less than ten days. On the eighteenth of February he invited proposals for \$5,000,000 for these notes. Offers at twelve per cent., or less, were made for \$1,831,000. The remaining offers were for \$465,000, at rates ranging from fifteen to thirty-six per cent. He did succeed, however, in raising the small sum of \$5,000,000 at twelve per cent. interest. When Secretary Chase entered the Treasury Department he must have speedily learned two things, if they were unknown before—the imperative need of borrowing money, and the great difficulty in obtaining it, even at high rates of interest.

Most of the revenue was derived from duties on imports. But this stream had fallen low. Secretary Dix informed the Chairman of the Committee of Ways and Means that \$16,000,000 "would be a liberal estimate for the revenue from customs," for the first half of 1861. A new tariff law was enacted on the 2d of March, but a richer yield of revenue from it could not be expected for a considerable period.

When Secretary Chase assumed office, authority existed for negotiating loans by the Acts of June 22d, 1860, and February 8th and March 2d, 1861. By the first Act he could borrow \$13,978,000 at six per cent., the remainder of the loan having been already negotiated. By the February Act he could borrow \$16,994,000 at six per cent., and bids for both loans above or below par might be accepted. The entire amount of the February loan was \$25,000,000, but the remainder had been negotiated. The authority to make the ten million loan of March 2d, 1861, was embedded in the tariff law of that date. The interest was not to exceed six per cent., and the law further provided that Treasury notes bearing not more than six per cent. interest might be substituted "for the whole or any part of any of the loans for which" the President was "now by law authorized to contract and issue bonds," including the loan last mentioned.

On the 22d of March Mr. Chase advertised proposals for a loan of \$8,000,000. Ten days were given for receiving offers. Five days

afterward James Gallatin, President of the Gallatin Bank of New York, wrote to him that the loan had "already been taken from the market within about one million of dollars, having been absorbed by the banks for currency, or by the Savings banks and individuals or institutions throughout the country as a permanent investment; so rapidly," he continues, "has this absorption gone on, that there is some probability of the million yet in market being withdrawn in the same manner before the day which you have appointed for the taking of the new loan; and there is reason to hope that, in the present state of the money market, and the growing confidence of the people in the upright intentions of the administration, you will realize within five or six per cent. of par for the new, notwithstanding the terrible shock which public credit received toward the close of the late administration." Mr. Gallatin then adds: "Supposing it practicable to negotiate the loan at that price, the question arises whether to do so, or to adopt the alternative of an issue of Treasury notes at par."

At the very beginning, therefore, of his administration of the Treasury office, Mr. Chase was confronted with a grave question with respect to modes of getting money. Should he issue bonds for it running for several years, or issue six-per-cent. treasury notes of small denominations. He could procure the money needed by the latter mode at rather better rates than by the former, and this consideration weighed strongly with him. The opinions of those who pondered the subject the most carefully were divided. The newspaper press also expressed a divided opinion.

Mr. Gallatin was opposed to the issue of Treasury notes. His reasons are worth giving: "In the form of stock," he writes to the Secretary, "this loan will be funded and out of the way for twenty years; but, in the case of Treasury notes, should sudden panics arise in the uncertain future, these would be thrown in upon you for duties, and most likely at a moment when you would be heavily pressed for means to carry on the Government, they would aggravate the embarrassments of the Treasury. Besides, future emergencies may arise, in which the issue of Treasury notes would be the best and speediest means of supplying temporary wants. It would seem, therefore, more desirable to negotiate this loan as you have proposed, in the form of stock having twenty years to run, if you can do so, which I have no doubt you can, at a fair price—say three to four per cent. above the rate obtained by the late administration for the last loan—and reserve the power of issuing Treasury notes for future contingencies."

The total amount of bids for the eight million loan was \$27,182,000, and ranging from eighty-five to one hundred per cent. Many of the bids were at the rate of ninety-two and ninety-three per cent., or fractions of those figures. The Secretary accepted bids

for \$3,099,000, and the balance of the loan, \$4,901,000, consisted of Treasury notes, sold at par or above. Thus the loan was almost equally between bonds and Treasury notes.

This action of the Secretary has been regarded by many as proof that he was a believer in *fiat* money from the very outset of his administration. But those who think so perhaps do not understand the nature of the notes issued at that time. They were made payable to the order of the persons who received them, and bore interest at six per cent., payable semi-annually, were convertible into bonds and receivable in payment of all public dues. Though circulating as a substitute for money, they were not a legal tender among individuals, and circulated by voluntary action. They were therefore very different in their nature and origin from legal-tender notes. They were, in no sense, a forced currency. Mr. Gallatin was far-seeing when he suggested to the Secretary that this resource for getting a monetary supply might be prudently reserved for the most pressing occasions; but Mr. Chase's decision cannot be fairly regarded as proof that he supposed fiat money contained any virtue. Public opinion was divided on the question of issuing these notes and Mr. Chase sought to satisfy it by issuing bonds for a part of the loan and Treasury notes for the balance.

On the eleventh of May the Secretary advertised proposals for the balance of the February loan, amounting to \$8,994,000. The war had been begun by the attack on Fort Sumter nearly a month before, and this event for a short time unfavorably affected the public credit. The readiness to give life in defence of the Union was not met with an equal readiness by the wealthy in lending money for the same purpose. The amount of bonds sold was \$7,310,000, at rates which ranged from eighty-five to ninety-three per cent., and the remainder of the loan, \$1,684,000, was taken in Treasury notes at par. The proportion of Treasury notes to the amount of the loan was much smaller than the proportion of them to the amount of the prior loan negotiated by him.

The Secretary invited proposals at par for the balance of the June loan of 1860. Only three bids, aggregating \$12,000, were received, and these were "made under misapprehension." Failing to obtain money by that law, he issued, by authority of the March Act of 1861, more Treasury notes to offerors at par, and in payment to public creditors to the amount of \$12,584,550.

Such were the resources derived from loans and Treasury notes by the Secretary during the first four months of the administration of his office. From customs during the last quarter \$5,515,552 had been received, beside a small addition from sales of public lands and miscellaneous sources.

## PRACTICAL BANKING.\*

## THE BOOKKEEPER.†

Mathematical accuracy is one of the prime virtues of an accountant. It is nowhere more important than in bank bookkeeping. While the affairs of a bank are running along smoothly its customers are given little opportunity to judge of the capability and thoroughness of those who manipulate the books of accounts. But when the institution comes to grief, and the creditors are waiting in painful suspense to learn the fate of their deposits, the opportunities for determining how well the books have been handled are excellent. It is at such times that the public are taught to appreciate the value of accuracy, system and promptness. When it requires days, and, as is sometimes the case, weeks, for the bookkeepers to make up a statement of the condition of a suspended bank, the inference may be fairly taken that something is radically wrong. It may be the imperfections of the system in vogue, or possibly a weakness in the brain of the bookkeeper.

A good theory to follow in bank bookkeeping is one which each day presumes that the bank is to suspend payment before time for the doors to open the next morning. And not only so, but also one which presumes that the directors or proprietors are to require a complete financial exhibit of the bank's affairs within twenty-four hours from the time the suspension is announced. There can be no good reason why a complete statement should not be presented within a few hours at any time, if no crookedness has been practiced. It is not only important that the work of each day should be finished before the doors open on the morning of the day following, but that the work should be so performed as to enable the bookkeepers to make up a full exhibit without delay. Even in cases of defalcation and crookedness on the part of any one individual where several officers and clerks are employed, there would be no reasonable excuse for requiring days, and often weeks, in preparing statements for the public. Simplicity in method and an efficient clerical force will obviate the present prevailing difficulties.

It is not good economy for the manager of a bank to expect one clerk or bookkeeper to perform the labor of two. There can be as much of a mistake in employing not enough as too many. But, before considering the number to be employed,

\* This article consists of continued extracts from a work, now in press, on *Practical Banking*, by the editor of this Magazine. Copyright.

† The extracts here given are but a small part of this department of the book, which covers, with full explanations, the entire range of banking accounts from their beginning.

the fitness of each for the position should receive attention. Above all things, know that each and every person doing clerical work in a bank is thoroughly qualified. Then see that the force is sufficient to have the work kept closely up, and require in all cases that no part is neglected. We would say to the bookkeeper of a bank: Demand that you be allowed a sufficient force to do the work punctually and in the best manner. If your request is refused it is better to resign than take chances in doing your duty when you know that important parts must be neglected. Banks show, as a rule, more wisdom in this respect than commercial houses. Yet there are but few banks in which an improvement might not be made by an addition to the regular force. This improvement would redound to the advantage of stockholders as well as the bank's customers.

The method of bookkeeping practiced in a bank may have much to do with the force necessary for performing the work properly. We cannot undertake in this treatise to go into the details of all the different systems in vogue. It is our aim, however, to give such explanations of the methods in most general use as will enable the reader to understand the principles and be able to choose a plan best adapted to his special needs. Important changes and improvements in bank as well as commercial bookkeeping have taken place within the past ten or fifteen years. A few years ago banks received a fair revenue from the sale of exchange. Remittances from one part of the country to another are still made almost entirely by means of bank drafts, but since the establishment of a currency which is at par throughout the United States, the rate of exchange cannot much exceed the cost of transmitting money by express, and the business of dealing in exchange by banks is no longer considered an important item of revenue. The change has had its influence upon bank bookkeeping.

The tendency has been, in bank bookkeeping, to abridge the work. There is still room for improvement in many institutions in this direction. It is a good idea, in all places where possible, to avoid re-writing items and amounts. We will first turn our attention to

#### ACCOUNTS OF DEPOSITORS.

The depositors' accounts, in an institution doing a general banking business, absorb much the greatest attention of the bookkeepers. Eternal vigilance is a prime virtue in their manipulation. Considering their numbers, the infinite multiplicity of items they represent, and the vast sums received and disbursed upon them, the small number of mistakes made in their keeping is worthy of consideration. It demonstrates the possibility of wonderful accuracy. The errors, at least those discovered, will not average one in a thousand transactions.

There is, perhaps, an unusual degree of accuracy exhibited in the work upon this class of accounts. The reason is obvious. An

error, no matter how slight, is almost certain to be discovered by the depositor. Whether or not the error is reported to the bank officials, such a discovery is painful to the bookkeeper. It forms a basis for suspecting other blunders; it may, too, involve serious difficulty. These are some of the penalties constantly in view, and they, no doubt, exert an influence.

In all branches of an accountant's work the probability that an error, if made, will be discovered by some one other than himself will invariably cause some weight upon vigilance and thoughtfulness. Where an error, if made, will be detected by its author, as is the case in some parts of the bookkeeper's work, and may be corrected before reaching others' eyes, a feeling of indifference is more apt to manifest itself. This suggests the importance of rotating the force employed in large banks, so that the work of each one will be examined by some one of the other employees. In England it is almost the universal practice to have a professional accountant go over, at stated periods, all the work of a bank. The plan is not much followed in this country, but it is being discussed in many quarters. Experience has shown that the examinations made by Government officials are not a sufficient guarantee to stockholders and depositors that the published exhibits are faithful showings of the banks' condition.

One cause that has had a tendency to bring about a high standard of accuracy in the treatment of depositors' accounts is that of special study in this direction. Much attention and skill have been directed to devising plans for keeping this class of accounts.

#### DEPOSITORS' LEDGERS.

The postings to the depositors' accounts are sometimes made direct from the deposit slips on the one side, and from the checks on the other. The checks and slips, when thus posted, are first entered in a journal or register for the purpose of proving the cash and accounting with the tellers. This journal or register forms a part of the general books of the bank. The ledgers containing the depositors' accounts are auxiliary to the general books. We mean by this that a statement of the bank's condition is made up independently of the depositors' ledgers. One account in the general ledger serves to show the liability of the bank to its depositors. In some banks the postings to the depositors' accounts are made from other books, usually called "journals." In some systems two journals are used, and in others only one. We give, in this connection, some illustrations of these journals. Though still used to some extent, the forms shown under the title of "debit journal" and "credit journal" have been mostly superseded by more modern devices. The form under the title of "deposit journal" is used by many country banks. It is simple, and well serves the purpose for which it is intended.

## DEPOSITORS' LEDGER WITH BALANCE COLUMN.—FORM 2.

*Richard Whittington.*

Jan. 2...	Deposit.....		10.000	
2...	100, 46 75, 10 50, 305 10....	462 35		9.537 65
3...	Dep.....		400	
	1240 80, 175 20, 960 50.....			
	2100, 137 10.....	4.613 60		5.324 05
4...	5420 50, 1324 05.....			
	208 40.....	6.952 95		*1.628 90

The first column contains the debits or checks, the second column the credits or deposits, and the third column the balances. The balances are carried out every day after the deposits and checks have been entered up.

## DEPOSITORS' LEDGER WITH DOUBLE BALANCE COLUMNS.—FORM 3.

*Richard Whittington.*

	462 35	305 10, 10 50, 46 75, 100.....	1/2	10.000	9.537 65
	4.613 60	2100, 137 10, 960 50, 175 20, 1240 80.	3	400	5.324 05
1628 90	6.952 95	208 40, 1324 05, 5420 50.....	4		

This represents a Depositors' Ledger with two debit and two credit columns; one column for itemized checks and one column for dates. The first column on the left shows the debits' balance or overdraft; the second column the totals of checks; the third, itemized checks and other explanatory remarks; the fourth, the dates; fifth, credits or deposits; and sixth, credit balances.

In the large city banks where the depositors are so numerous as to require a classification of the accounts, several books are kept

\* This balance is printed here in italics to represent an overdraft. In practice it would be written in red ink.

for summarizing the checks and deposits. The depositors' accounts are grouped thus: Names commencing with A to D, E to K, L to R, and S to Z. The checks and deposit slips are assorted so as to be entered up under the several classes or groups in separate journals or registers. The work of writing up must be commenced in ample time for entering the last check paid and the last check deposited almost immediately after the tellers close their windows. In the work of writing up there is precaution taken to leave sufficient space after the name has been once entered to add subsequent checks. This does not apply so much to deposits, as cases of more than one deposit to a name in a day are exceptional.

Form 4, or what is commonly known as the Boston method, possesses some advantages which have influenced its adoption in many places. It is intended to serve as a day-book and ledger combined. The asset balances are entered in *red*, and the liability balances in *black* ink. In our illustration we give a page, or portion of a page, showing the closing entries for two days. It will be seen that the depositors' accounts run horizontally across the page (two accounts occupying a compartment). First comes the balance brought forward from the page where the name previously appeared. Then there are two narrow columns under the heading "Checks in detail." The first of these columns belongs to the second account in the compartment, and the second column to first account in the compartment. The next two columns are for the totals of checks and deposits. The sixth column is a space for explanations upon the deposits or other credits. The seventh column contains the balance at the close of the day. Following this, still to the right, the same is repeated under another day. A page nineteen inches in width will give space for three days' transactions. Running across both pages of the book, six days' business is recorded before the name is re-written. The object of dividing the page into compartments with horizontal lines, and placing only two accounts in one compartment, is to aid the eye in its sighting across the page from the side where the name is written.

In footing the balance columns the overdrafts are deducted, making the footing show, not the total liability of the bank for deposits, but the "net total deposits." This is one of the objections to be urged against the system. The overdrafts of depositors are assets. They may be serviceable in paying depositors, and they may not; they are certainly not as reliable as money in the vault. And, besides, a statement of a bank for the benefit of stockholders ought to show the total deposits and the aggregate of overdrafts as two separate items.

After footing the balance and total columns of the depositors' accounts for the day, a general statement may be written up by adding capital stock and other general accounts, if not too numer-





ous. The column entitled "Total checks" may, in entering the impersonal or general accounts, be used for all cash disbursed. The "Total deposits" column may contain all cash receipts; in this way the balance book will serve to take the place of a general ledger.

One advantage of this method which recommends it is the easier locating of errors. Each page is susceptible of proof in itself, and thus an error may easily be pinned down to a small number of entries.

#### DEPOSITORS' BALANCE LEDGER.

The illustration presented under the title "Depositors' Balance Ledger" represents a portion of a page of a book extensively used by the large banking institutions of New York, and in some other cities. Practically speaking, it is a skeleton ledger, kept for the convenience of the paying teller. During banking hours it is never far from his counter, and the standing of any depositor's account can be ascertained in a few seconds at any time. This book has no connection with the depositors' ledger kept by the individual bookkeeper.

In the Boston method the daily balance book is the only ledger used for keeping the depositors' accounts. Thus, it will be seen that the two books have a widely different purpose. In many banks where the balance ledger is used the regular accounts of the depositors are kept by the individual bookkeeper, or bookkeepers (for there may be several of them), in ledgers of the usual form.

A complete explanation of the skeleton ledger is difficult in a small

DEPOSITOR'S BALANCE LEDGER.—FORM 5.

<i>Names.</i>	<i>Aug. 1.</i>		<i>Aug. 2.</i>		<i>Aug. 3.</i>		<i>Aug</i>
N. Y. Tribune Ass'n.	210 40 318 60 27 50	18400 10 1415 60	1540 835 15	19259 20 1410		18194 05	
R. Wells.....	1210	4200	1840	2405	355 50	1840	
	460 375	250	270 50 650		350 70 10	1385	
P. White.....	580 50 250	1840 50		1010 375			
	580 50	22600 10		22674 20	355 50	19579 05	

treatise which will not permit the introduction of ruled forms showing different colored inks. A page about eighteen inches square will give space for thirty accounts six days. The two pages of such a book will serve thirty accounts thirteen days. Two writings of an account will thus carry it through a month. The lines upon which the names are written are about five-eighths of an inch apart, and they alternate in color, first blue and then red. The change of color serves to guide the eye correctly across the page, or the two pages. For each day there is a pair of columns, the first, or left-hand column, being for debits or checks, and the second, or right-hand column, for credits or deposits; the balances are carried forward in pencil. The calculation in carrying the balances forward is done mentally. It would be surprising to one not expert in this work to observe the rapidity with which the book-keeper performs these mental calculations. With three amounts on one side and two on the other, the items ranging in value from the units column to several thousand, the calculation is performed mentally, the balance struck without a moment's hesitation, and placed in its proper column for the next day. For example, the following represents a day's transactions:

<i>Debit.</i>	<i>Credit.</i>
7,462 25	12,620 39
35 60	
379 84	284 60

The balance, 5,027.30, is dotted down with surprising rapidity. In footing the columns the pencil figures only are taken to get the total balances. The amounts in ink, when footed, show total drafts and total deposits for the day.

The plan followed by which the entries find their way from the tellers' counters and the exchanges, to the depositors' ledger and balance book, varies in different banks. The volume of business has much to do with the system in use. It is well worth the space here to give a description of the plan in vogue in the National Park Bank. This bank is a representative institution with over ten thousand active accounts on its depositors' ledgers. There are two receiving tellers. A depositor presents his book with deposit enclosed. If currency or specie form a part, it is counted and dropped into the till or money drawer. The checks and other items are not carefully examined. If the currency and coin are correct, the amount according to the deposit slip is entered in the pass-book. The deposit slip, the checks, drafts, or other items are kept together until a checking clerk takes them away. These items of the deposit slip are then carefully examined and re-checked upon the deposit slip. If an error is discovered the correction is made

upon the slip. The checks, drafts, etc., are now classified and passed over to other clerks. Some go to clerks who enter them up ready for passing through the Clearing-house. Others must be sent out for collection by the bank's messenger. The checks of the bank's own depositors and correspondents go to clerks who enter them up preparatory for the bookkeepers. This is followed up so closely that, at the hour for closing the receiving teller's window, every check, draft and other item of the day has been charged up at the checking counter. The items in the balance ledgers are taken from the books kept up by the checking clerks, and the individual bookkeepers also make up their ledgers from the books kept on the checking counter.

There are four sources from which the balance ledger bookkeepers obtain the items of debits to the accounts in their charge. These are—first, through the Clearing-house; second, through the paying teller's department; third, from the receiving teller's department; and, fourth, through the note teller's department. They have been classified and entered up at the checking counter, so that he has only to write down the totals. There are some institutions having accounts with the Park Bank which draw as many as forty checks in a day; many draw twenty to thirty. This will explain why a method like that described in connection with the Boston daily balance book would not be practicable in all places.

In this bank the accounts of depositors or dealers are divided into four classes, and are kept by eight individual bookkeepers—our of whom are on depositors' ledgers and four on the balance edgers, thus:

Names from A to D,  
E to K,  
L to R,  
S to Z.

The accounts of correspondents or other banks are arranged under two divisions:

A to L,  
M to Z.

Thus twelve individual bookkeepers are employed, eight on depositors' accounts, and four on accounts of other banks. The balance books are extended before the hour for opening next morning, and the footings made so as to compare with the general ledger before the close of the next day.



## SEIGNEURIAGE AND MINT CHARGES.

The following article which was read by John Biddulph Martin before the London Institute of Bankers and published in their journal, contains several very interesting facts of a historical nature pertaining to this subject. The first part of it appeared in our August number.

In matters of controversy it is well to argue from the greater to the less, and it may be convenient if, in the present instance, we put an extreme case as an illustration. Let us imagine for a moment England to be, as it is, an island, inhabited by its present population, and consuming products of every kind which we are accustomed to use, but sufficient of itself for all its needs, having no exports or imports, and producing within its borders all articles of use or consumption, including a sufficient and constant supply of gold. Let us further imagine the cost of producing this gold to be such that the actual buying price at the bank, £3 17s. 9d. per ounce, would suffice to return an adequate profit to the gold mines of the country, and the normal price of commodities, including wages, to be as it is. What would be the result if, by a sudden proclamation, the amount of standard gold in each sovereign were reduced by one half? Assuming that the Government were able to call in with equal suddenness all the outstanding gold coin, and to replace it by the new and debased issue, it is not unreasonable to suppose that no effect would ensue on the prices of all commodities, gold excepted. Gold, indeed, would be doubled in value, for if any one desired an ornament or other object of fine gold, he would have to give or to melt two of the new debased sovereigns in order to obtain the amount of the precious metal which had formerly been contained in one. The value of all other commodities would remain unchanged, since the amount of money in the country would remain the same, and (as has been said above) there is no law of nature to regulate the number of coins into which a given weight of metal shall be struck. But two difficulties would at once arise; the first, foreseen by Adam Smith and Ricardo, and stated by them as a saving clause, that fraudulent coining would receive an immediate stimulus. The cost and labor of extracting gold would be unchanged, but if, on sending it in to the State Mint, one-half of the bulk were confiscated, there would be an immense incentive to save this penalty by independent coinage, since coins of no less intrinsic value could be coined at an ample profit to the producer or holder of bullion. The next consideration is still more formidable; the State Mint, if it continued to receive all the output from the gold mines, but only returned one-half of its bulk in coin, would find itself in possession of a quantity of bullion equal in amount to the whole coinage of the country. It is not conceivable that this should be retained with any other object but that of coining it into money for the advantage of the State; the circulation of the country would thereby immediately be doubled, and the price of commodi-

ties, other than gold (as measured in legal tender coin) would simultaneously rise. Yet the purchasing power of an ounce of gold, produced all along by an equal amount of labor, would remain unchanged throughout these vicissitudes, and it is difficult to see how the imposition of the seignuriage would have affected the exchange value of the metal, however much it might and would have influenced that of the coin.

The like result would ensue if the isolation in which we have assumed the country to exist were to be broken through, and it were to be discovered that in France gold was being coined gratis, or at a very moderate mint-charge. It is evident that under these conditions no gold would be sent in to the home mint, but all gold would leave the country for the one in which it could be minted on the most favorable terms. However, therefore, the proposition may be theoretically and logically tenable, that the addition of a mint-charge raises *pro tanto* the value of a coin, it must be postulated before this proposition is capable of reduction to practice, that the charge for coinage shall be uniform throughout all countries in which gold is used; in this case a mint-charge can be levied, but only to the extent of the labor of producing the coin, and the cost of transport between the country imposing it and any other in which conditions more favorable to the holder of bullion prevail.

We are not able to deny that the exchangeable value of a commodity is the value of the raw material, plus the labor of manufacture; a poker or a table is but so much iron or wood on which a certain amount of time and labor has been expended in order to produce a finished article. In like manner there can be no doubt that a sovereign represents a certain amount of raw material, viz., 123¼ grains of standard gold, plus the cost of coinage, and it must be subject to the same law: the fact that the cost is, as it were, microscopic (about .311d. per sovereign) making no difference in the conditions. The difference lies in the fact that it is not the finished article that is really as a rule desired; what is wanted is merely the raw material, the bullion in the sovereign having a cosmopolitan purchasing power of defined extent. No man who had contracted for the purchase of a certain quantity of timber or iron in order to build a house would be satisfied with the tender of a quantity of chairs and tables, pokers and Sheffield cutlery, although the vendor might be able to demonstrate that the raw material and cost of manufacture rendered them equivalent in market value to the article he had contracted to deliver.

Having thus adverted to the principles which must theoretically govern the issue of coin, we may proceed to glance briefly at the conditions under which coinage is carried on among us. Our Royal Mint is nominally free to all comers, and we are in the habit of saying that every one who carries standard gold to the Mint is entitled to receive back the exact weight of his bullion in coin of the realm. But in practice this is hardly the case, and no owner of a parcel of gold dust, or nugget, would dream of adopting this course. Various regulations must be observed, notice must be given, the bullion must be tendered on certain days, the importer's assay must be checked and approved, deficiencies in quality must be made good, disputes as to the assay must be settled, and finally the owner must wait his turn, and at an uncertain period of time he will receive notice that his gold, in the shape of coin, is ready for delivery to him. Should the Mint be in full work for account of the

bank, its chief customer in this respect, or should it happen, as it did lately, that the Mint is at a standstill for repairs, a long delay might ensue, and all the while the owner is losing the interest of his capital. Under these conditions it is not surprising that private "importers" of bullion to the Mint are a species almost unknown; owners of bullion invariably, by themselves or through a bullion dealer, sell their gold to the Bank of England. This they can do at the rate of £ 3 17s. 9d. per standard ounce, and they receive a very substantial payment at once, the balance being settled on adjustment of the assays, for which the holder pays at the rate of 4s. 6d. per ingot of 200 oz. (say  $\frac{1}{4}$ d. per oz.) The exact cost to the importer is given by the late Mr. Ernest Seyd, in his very instructive pamphlet *Seigniorage and Charge for Coining* (Erfingham Wilson, 1868, p. 22) as follows:

$\frac{1}{4}$ d. per ounce .....	£ 1.605	per mille.
Difference in assay .....	.651	"
Turn of scale .....	.062	"
	<hr/>	
	2.318	"
Cost of melting .....	.245	"
Cost of assay .....	.265	"
	<hr/>	
	2.828	"

or £ 2,828 per £ 1,000,000. But, in a memorandum of the Master of the Mint, May 5th, 1852 (Report Intern. Coinage Comm., 1868, p. 325), the three first items only are claimed as the profit of the Mint, and the figures do not precisely tally. They are:

$1\frac{1}{2}$ d. per ounce .....	£ 1.600	per mille.
Assay fraction .....	.650	"
Turn of scale .....	.070	"
	<hr/>	
	2 320	"

or a profit of £ 2,320 per £ 1,000,000. This means practically that the bank issues £ 2,320 in notes or gold against every £ 1,000,000 that it pays for bullion. If it were merely a question of note issue the profit would be almost net, but seeing that the coinage of the country is supplied by the gold "imported" to the Mint by the Bank of England, and that the bank must depend on the efficiency and freedom of the Mint to execute its orders, the question of delay in coining comes in again. The above figure of £ 2,320 is equal to interest at a little over six per cent. for fourteen days, and from this basis the greater or less profit may be estimated according as the delay is less or greater.

This is the consideration on which emphasis is laid by those who contend that ours is not a free Mint, and much subtlety may be exercised in proving that the delay attendant on the conversion of bullion into coin at the Mint, or the difference between the buying and selling price of bullion at the bank are in effect a brassage or seigniorage respectively. With no less laborious ingenuity may it be argued that the charges attendant on converting bullion into coin at the bank are more onerous than those levied, for instance, in France, where a charge of 6.70 frs. per kilo (= .0025) is avowedly made by way of brassage. It may be incidentally remarked that this is, roughly speaking, equivalent to  $\frac{1}{4}$ d. per £, as against the estimated cost of minting in England, given above, at  $\frac{1}{4}$ d. £, but in default of exact knowledge of the comparative cost in England and France respectively, a comparison which would re-

quire, moreover, that the accounts should be made up in the same way, it would be rash to assume that the apparent difference in either country must represent a charge for Seignuriage. With regard to the objection that the delay inseparable from the coinage of bullion at the Mint deprives that department of the character of a "free" Mint, it is difficult to imagine how, as a matter of practice, some delay in any case could be avoided. The operation of minting is one of extreme delicacy, but at the same time of extreme accuracy, and the mechanical and chemical processes must necessarily take at least some time. Moreover the demand for coin by individuals, were the intermediary of the Bank of England to fall into desuetude, would be fitful and intermittent, and it would hardly be reasonable to require, as did the late Mr. E. Seyd, that an expensive Government establishment should be kept constantly in readiness to meet the requirements of an occasional and uncertain demand. On the other hand, the Mint profit arising from the difference between the buying and selling price of bullion at the bank, plus cost of assay, &c., amounts to within a minute fraction of the estimated cost of manufacture. It is difficult to see how terms more equitable to the holder of bullion could well be arranged.

In the preceding remarks no reference has been made to the alternative ways in which the mint-charge may be levied, one of which is of the nature of leveling up, the other of a leveling down. Assuming a tax on coining of one per cent., a given weight of bullion may be converted into coin, either by minting it into 100 coins, of which ninety-nine are returned to the importer, and one is retained by the Mint, or by coining it into 101 coins of less fineness and returning 100 to the importer, the Mint, as before, retaining one coin. There is a fractional difference in the result to the bullion owner, since he will in one case receive back in coin  $\frac{99}{100}$  parts of his bullion, and in the other  $\frac{100}{101}$  parts, and the tax would not therefore be in both cases exactly one per cent.; but we may disregard this minute fraction, the illustration being sufficient to show that whichever system be adopted both are applicable to either brassage or seignuriage. In a matter where the very terms are, as before mentioned, vague and ill-defined, it is well not to complicate matters by ambiguous meanings, and the tendency to attach the term brassage to the system under which the quantity of the coin is reduced, and seignuriage to the one under which its quality is debased, is to be deprecated as incorrect, even if it be convenient. In either case the Mint would retain for its own recoupment or profit one coin of almost identical quality, but the result would be that the total circulation of the country would in one case be augmented in volume by one per cent. above that which it would have in the other. Theoretically, therefore, prices would be affected to a similar extent, but in practice it has been a matter of history that prices do not by any means vary concomitantly with the depreciation of the coinage. This has been the experience of England in the past, and more recently of India, as regards its home trade, in the case of the silver rupee, and it is not likely that a mint-charge of any reasonable amount would directly alter the general range of the price of commodities.

In the hypothetical case suggested above, it was assumed that in suddenly imposing a seignuriage of fifty per cent. by way of debasement of the purity of the coin, the Government had the power to replace at a stroke the old coinage by the new; as a matter of



fact this would be an operation of extreme difficulty, if not an absolute impossibility. No less impossible must it always be to maintain in circulation at the same time two coins of nominal equality, but of differing intrinsic value; the action of Gresham's law, to which reference has more than once already been made, will certainly drive out the better coin and substitute the worse. It is true that in transactions of daily life, a sovereign of 122¼ grains would be indistinguishable from one of 123¼ grains, and, as is well known, about half of our current coin does not exceed the former weight; but our coins, as we commonly use them, are but little better than counters. It is for the purpose of settling international transactions that gold, or the command of gold, is essential, and in all such transactions any alteration of the standard must inevitably make itself felt. Even if we succeeded in establishing side by side, sovereigns of two classes, weighing 123¼ and 122¼ grains respectively, and in settling therewith our domestic monetary dealings, we should certainly discover, as soon as the exchanges were against us, and we had, for want of purchasers to our exports, to settle our differences in cash, that the purchasing power of the two coins was by no means identical, and that the inferior coin must assuredly involve a reduction in the par of exchange.

In submitting the above considerations on the question of mint-charges, I am aware of having undertaken somewhat presumptuously a task that is at once difficult, comprehensive, and perhaps, after all, mainly theoretical. Enough has been said to show that the very terms and definitions of the controversy are unsettled, the propositions in which it can be stated perplexing, and that nothing can be advanced theoretically (and even practically) and supported by good authority which is not met by contradictions on authority equally respectable. But if a discussion on this subject appears at first sight unpractical and academic, it must be borne in mind that the conditions under which the State is supplied with its metallic currency is one of the greatest importance and interest. The state of our gold currency is at the present time a matter of serious consideration, not to bankers only, but to the whole trading community and to the nation at large; the position of silver, as regards its use as money, has of late years undergone a serious modification, and our paper currency, resting on a quasi-metallic basis is by some considered to be not yet altogether beyond the reach of improvement or reform. Under these circumstances I venture to think that a little time devoted to the consideration of the functions of the State as regards its prerogative in coining operations, of the position which it assumes towards the holder of bullion, and of the consequences which would attend any deviation from what appear to be sound principles or established practice, will not altogether have been thrown away.

#### APPENDIX.

By the kindness of the Deputy-Master of the Mint I am enabled to supplement the foregoing paper by the accompanying table A, showing the manner in which the Mint-charge is levied in the various countries of Europe. To this I have added a separate table B, showing the standard degree of fineness of each coinage, together with the amount of Mint-charge, reduced to four places of decimals. For such of the figures in this table as were not deducible from table A, I am indebted to the work of M. Ottonmar Haupt—*Arbitrages et Parités*—Edit. 1883.

TABLE A.—SHOWING THE CHARGE FOR THE COINAGE OF BULLION IN THE PRINCIPAL STATES OF EUROPE.

<i>State.</i>	<i>Standard.</i>	<i>Mint Charge.</i>	<i>Remarks.</i>
"Latin" Monetary Union: France, Italy, Belgium, Switzerland.	Double standard of gold and silver.	<i>Gold</i> .—6 fr. 70 c. per kilo. of gold, 900 fine. (The charge is <i>deducted</i> from the bullion imported for coinage.)	The <i>bons de monnaie</i> delivered to importers of gold bullion are payable in coin in ten days from the date of importation.
Germany.....	Single gold standard	<i>Gold</i> .—3 marks per pound (500 grammes) of pure gold. The pound is coined into 1,395 marks, of which 1,392 marks only are returned to the importer.	The Convention of 1878 between these powers suspended the coinage of silver standard pieces. Formerly the charge for the coinage of silver was 1 fr. 50 c. per kilo. of silver, 900 fine.
Austria-Hungary.....	Double standard of gold and silver.	<i>Gold</i> .—Ducats, $\frac{1}{2}$ per cent. Eight-dorin pieces, 3-10 per cent. <i>Silver</i> . Florins, 1 per cent. Maria Theresa dollars (for Eastern trade), $1\frac{1}{2}$ per cent.	
Netherlands.....	Double standard of gold and silver.	<i>Gold</i> .—Double ducat, 983 fine, 6 flrs. per kil. Ducat, 983 fine, 7 florins per kilo.	The coinage of silver standard coins for private persons is entirely suspended.
Scandinavian Monetary Union: Sweden, Norway, Denmark.	Single gold standard	Ten-florin pieces, 900 fine, 5 flrs. per k. <i>Gold</i> .—Twenty-crown pieces, $\frac{3}{4}$ per cent. Ten-crown pieces, $\frac{1}{2}$ per cent.	Five-crown gold pieces (hitherto only coined in Sweden), and silver coins, are only struck on account of the Government.
Spain.....	Double standard of gold and silver.	<i>Gold</i> .—There has been no charge for the coinage of bullion since 1868.	Since 1876 the coinage of standard silver pieces has been reserved to the Crown.
Portugal.....	Single gold standard	<i>Gold</i> .—1,000 reis, or $53\frac{1}{4}$ ¢, per kilo. of gold, 916.6 fine.—(4,500 reis = £1.)	

UNITED STATES OF AMERICA.—The charge for the coinage of gold, under the Act of 1873, is one-five per cent.  
Standard silver dollars are only coined on account of the United States Government.

TABLE B.—SHOWING THE MILLESIMAL FINENESS, AND PERCENTAGE OF MINT-CHARGE, IN THE PRINCIPAL STATES OF EUROPE.

	<i>Gold Coin.</i>	<i>Par of Exchange.</i>	<i>Fineness.</i>	<i>Mint Charge per cent.</i>
"Latin" League: France, Italy, Belgium, Switzerland.	20 francs.....	£ 1=Fr. 25.20	.900	0.25
Germany.....	20 reichsmarks...	£ 1=Rm. 20.43	.900	0.22
Austria-Hungary.....	Ducat.....	—	.985	0.50
	8 florins.....	£ 1=Fl. 10.	.900	0.30
	Double ducat.....	—	.983	0.45
Netherlands.....	Ducat.....	—	.983	0.52
	10 florins.....	£ 1=Fl. 12.1	.900	0.38
Scandinavian Union:	20 krone.....	£ 1=Kr. 18.	.899.6	0.25
Sweden,	10 ".....	—	.899.6	0.33
Norway,				
Denmark.				
Spain.....	Alphonso.....	£ 1=Alp. 25.22	.900	0.00
Portugal.....	—	£ 1=Mr. 4.505	.916.6	0.22

### ONE-NAME PAPER.

This excellent address was read at the annual Convention of the American bankers' Association, at Saratoga Springs, by Mr. George Hague, General Manager of the Merchants' Bank of Canada.

The practice of buying bills with only one name thereon forms an exceedingly interesting subject of discussion at the present moment, from the fact that the Associated Banks of New York, since recent financial troubles, are said to have set their faces against it.

It is a practice which has prevailed extensively and long in the large financial centers of the United States, and is intimately bound up with the financial habits of the community on this side of the line. For a long time it prevailed unquestioned.

The action of the New York banks, however, brings the subject to the front as one of immediate practical interest. Let us examine it then, and we shall find that a consideration of the subject goes to the very foundation of all banking business. When bankers seek to employ the money of their stockholders or depositors, they are met at once with such considerations as these: With what class of persons shall their money be employed? On what securities? For what time? A banker, even if perfectly untrammelled by legislation, would soon find by experience that he must not lend money on real estate, or for lengthened periods. This is now so universally recognized that I need not dwell upon it for a moment. Ruling out, then, this class of transactions in all their varieties, the banker finds that his proper customers are the great business community, in all its forms of merchants, manufacturers, miners, shippers, and what not. In dealing with them he comes across the long-established usage of buying and selling on credit, and at various lengths of

time. Accompanying this practice of giving credit, he will find another which gives him exactly the opportunity he needs, viz., to employ his money in short operations, with fixed terms of payment, and to a class of persons with whom prompt payment is the very life of their business. The banker's natural and primary function is to intervene between the seller and the buyer. The seller, by means of the banker, can turn a time contract for the payment of goods into cash, or to speak in banking phrase, he can discount or get cash for the bills he receives from the purchaser, who contracts to pay for his goods at definite times. This part of the business of a banker, viz., the discounting of bills representing sales and purchases of goods, is a comparatively simple business.

The more of a banker's funds he can employ in this manner the better satisfied he generally is. But in dealing with the large operations of modern business, a banker will soon be brought face to face with another question, namely, that of *production*. Goods must be *produced* before they can be sold. And the production of any of the great staples of commerce is a matter involving the employment of hundreds of millions of money. Now, if every producer had a sufficient amount of capital to carry him on to the point when he had goods for sale, and was actually selling, he need never apply to a banker, except to give him cash for customers' bills. And the banker would find no outlet for any of his funds in assisting production. But as a matter of fact this is not the case, either in this country or in any other that I know of. The ability to produce goods without borrowed capital is the exception and not the rule. In almost every line of business, before a producer arrives at a point where he has goods ready to ship to the purchaser, he requires to cast about him and raise money. The extent to which he requires this, of course, depends on his capital. Some men's requirements are small, some are large. How, then, shall these requirements be met?

It is evident that if a producer, or let us say a manufacturer, miner or lumberer, approaches a banker for money to assist him in the work of production, he must base his application on entirely different grounds from those pertinent to the case of one who has reached the point of distribution. If the banker replies to the application for money, Where are your bills? the customer must say that he *has* none; his goods are not finished; he can't therefore sell them, and cannot therefore get any bills. It is evident that his application to the banker must be to lend him money. He asks for a loan, and not for a discount. This reveals to the banker an entirely new set of needs, opening up an entirely different set of transactions, requiring to be treated on different principles, and carried on by different methods. A discount of commercial bills is one thing; but a loan is an entirely different *kind* of thing. If a banker does not understand this at first, and confounds the two in dealing with his customers, in keeping his books, in making out his balances, he is liable to be taught, by hard and painful experience, that he had better keep them distinct. In fact, he will, before long, come to know that one of the fundamental points of his business is to know how much of his money he can afford to have in the shape of loans, and to keep it down within certain limits, no matter what securities he has for them. The customer then needs to borrow money. The banker has money to spare over and above what he requires to discount trade bills with. On what grounds and principles is he to deal, then, with his customers in

this matter? I will answer this question by a little personal history:

I learned my business as a banker in one of the larger manufacturing towns in the North of England, whose goods are to be found in every town and city of the United States, and of our own Dominion as well. Our customers were almost wholly the manufacturers of the town and district. In dealing with them we were constantly brought to face the question aforesaid, viz., that in nearly every instance our clients not only required us to give them money for goods sold to their customers, but to lend them money while goods were being manufactured. The established custom of the town was this: The manufacturer, in a confidential interview with his banker (I call the manager, or what you call cashier, the *banker* as he properly is), would state the amount of his annual production. This was the first point. The extent of his business was the foundation of all the rest. He would then state the amount of capital he had in his business; what his liabilities; what his stock in trade; whether he owned his manufactory; whether or not there were any mortgages on it, and if so, to what amount, and so forth. He would take the banker into his confidence, and he would do it as a matter of course. He would never dream of asking a banker to lend him money without it. The idea of having satisfactory relations with his banker without a full preliminary explanation would never enter his head. Of course, there are differences in the character of men. Some are more open, naturally, than others; some are communicative; some are reticent. But it was the well-understood rule, that before a man could expect to borrow a single pound from a bank, he should let the bank know who he was, and what he was. This being done, the question came up, how much he would want to borrow as a maximum, and what security he proposed to give for it. Some security he was always asked for. He would offer possibly a mortgage on his manufactory or on some other property (banks are not restricted in this matter in Great Britain), or a personal bond signed by one or two responsible parties, which bond would be for the maximum amount applied for. The only other point was as to the time. With regard to this, the general arrangement was that while he was permitted to pay off his loan at pleasure, he was bound to do it at least once a year. The amount and security for the loan being agreed upon, and a good footing being obtained in the bank, the business bills representing sales of goods were discounted without the slightest restraint. The only care of the manager was to see that the *loan* was kept within the limit authorized. The troublesome customers of the bank—and there are always such in every bank—were those who, as time went on, wanted to borrow more than was first agreed upon or security given for. These loans, and this is a primary point of difference between banking in England and this Continent, were not in the shape of bills at all. There was not a bill in the bank but represented sales of goods. The loans of the bank were not in the bill-case, they were simply recorded in the ledger. As respects the commercial bills of customers, these were discounted without restraint, and for this reason:

They were universally for goods *sold* and delivered.

They were all payable at a distance; ninety-nine out of a hundred of them were invariably paid. Renewals were scarcely heard of, and if a customer was caught putting into the bank bills not representing a sale and delivery of goods, it was treated as a fraudu-

lent transaction—the next door to forgery—and the account was closed without mercy. On this basis the business of all the banks in the town (a place I may say that had a population of about 100,000 then and about 250,000 now) was carried on, and it prevails substantially in the banks of England and Scotland to this day. With slight differences as to detail of book-keeping, &c., in various parts of the United Kingdom, the fundamental principle is thoroughly well observed, viz., that there shall be clear and unmistakable distinction between lending money and discounting commercial bills, *i. e.*, bills representing goods sold and delivered; and that before any money is lent to a producer there shall be a personal communication between him and his banker and a full exposition of his affairs submitted. I am well aware that there are in England, as well as everywhere else, abundance of tricky, dishonest and unreliable persons, who will deceive bankers and obtain money by false pretences. All the arts by which money is raised illegitimately and fraudulently, all the schemes for “kiting” and “raising the wind” which prevail on this side of the Atlantic, are perfectly understood on the other; and I have no doubt are as much in vogue there as here. But the principle, method and theory is as I have stated.

Coming now to this continent, and looking into the mode by which the same necessity is met here, *i. e.*, the necessity to lend money to a producer until he has goods ready to sell, I may state what is the practice with the banks in the Dominion of Canada.

In its main principle, it is not unlike the practice hereinbefore described: The customer makes a regular arrangement with his banker for advances as well as for the discount of commercial bills. In making this arrangement he opens up his position, the amount of his business, security proposed, &c. So far our methods are precisely such as obtain in the mother country. But having gone thus far, an important difference is made. The loans of English banks, as I have observed, are not in the shape of bills. They are not *discounts* in any shape or form. In our practice, however, when a loan is arranged for, it is put into the shape of a promissory note. Generally there is an endorser, sometimes more than one. Where there is not an endorser, there is generally some other security. But the loan is represented by a bill or bills. These bills are discounted like commercial bills, and like commercial bills they are put into the bill case. They form part of what many bankers call their discounts. In looking over a bill case, only a practiced eye could discern the difference between these loan bills and commercial bills, although there is a fundamental difference in the character of the transactions.

Some of these loan bills are unendorsed and unsecured. A customer may occasionally be found who is so exceptionally good, and whose position is so thoroughly known to his banker, that he is willing to lend him money for a time to a greater or lesser amount without security, and the promissory notes or bills representing these loans are, in the bill case, side by side with the commercial bills of the same house.

The system of having loans represented by promissory notes payable on definite days has some advantages, especially in making a loan most clearly for a definite time, and enabling the banker to make a specific demand for payment at that time. But it has its drawbacks in blinding the minds of bankers to the difference

of risk involved in loans of money and discount of bills; in lulling them to a false security as to the real position of their business, especially in the matter of the availability of their resources. A banker will only be rudely awakened from his dreams of security when he finds that a large amount of his discounts, so called, represent nothing but loans of money, much of which may be locked up and utterly useless for such emergencies as all bankers have to face at certain times. Still, if these loans are properly applied for and arranged, they may be just as safe as any other part of a banker's business. But it is essential to their safety that they be limited in amount. In fact, the banker should not only know the limit, but control it, otherwise he can never be secure. This is the regular established practice of Canadian banks. But, as in England, there are occasional exceptions. In a financial center, when money is plentiful, I have known banks to employ brokers to offer money to houses of first-class credit without security. If the loan is taken the firm will give its unendorsed note to the bank. This form of loan is objectionable, from the fact that there is no personal communication in the case, no opening up of position, no confidential interview; nothing, in fact, by which a banker can judge whether the loan is safe or not, beyond mere general information. Such loans as these are invariably to customers of other banks. But they are not approved by conservative bankers.

In proceeding thus far you will observe I have brought before you "one-name paper" of two separate and distinct sorts.

*First.*—Unendorsed and unsecured paper representing loans contracted by a customer from his banker in a regular and authorized manner, and with "inside" and confidential information.

*Secondly.*—*Unsecured and one-name paper*, representing money lent in a casual way, and generally at the banker's own instance, to customers of other banks, entirely on their general reputation. These, however, are comparatively rare transactions. But there is another class of "one-name" bills, and I apprehend it is with regard to these that any discussion is now going on. In the United States (I speak under correction) the same fundamental conditions of business give rise to the same necessities. Here, as elsewhere, sales of goods are settled by trade-bills. The discount of these bills forms the most legitimate outlet for a banker's funds. But here, as elsewhere, arises the necessity of raising money during production, and a custom has originated which, I think, is different from anything known in Canada or Great Britain. A firm will write out promissory notes for various amounts up to the extent of its requirements, and send them to bill brokers in New York or other financial centers. The broker will apply to one or more banks, and offer the bills for discount, or, as the general term is, for sale. The banker, if he discounts the bill, does so purely and solely upon such information as he may have at the time. It may be more, or it may be less; it may be partial, or it may be almost complete; but generally it may be described as "*outside*" and not "*inside*" information, not confidential, but general. There is no communication between the borrower and the lender. And (what is a vital point) he must be in entire ignorance of the *total amount* of loans that are being floated in this manner by the borrower. Here is the essentially weak point. The banker, if he has no knowledge of the total, which is bad enough, has no *control* of the total, which is worse still. Indeed, as the practice has been carried on, the banker,

in a center like New York, is often in absolute ignorance of the real position of the borrower. He thinks he knows it; but what he knows is not the real fact, but only what certain people think. There are various degrees of information. If a banker only bought the bills of firms in his own city, so long as they were not his customers, his information would be more or less defective. But to a center like New York are forwarded bills of this kind from all parts of the United States. I have, myself, looked over the bill cases of brokers (for, as you know, Canadian banks keep large sums of money at times in New York), and have observed the one-name unsecured bills of firms and corporations in New England, Pennsylvania, Ohio, Illinois, and almost every State in the Union. A broker would offer sometimes very tempting baits in the way of discount; but I was never tempted to "bite" in a single instance, and it was because I reasoned the matter out on general principles. What do I know about this manufacturing corporation in Ohio? How can I tell the real position of this big company in Massachusetts? Mercantile ratings are very well and very useful, but they hardly warrant my lending money to people whom I never saw in my life. So I invariably returned an answer in the negative to all such applications, and experience has justified the conclusion, A shrewd director of a bank, not five hundred miles from this city, told me how he had dealt with a matter of this kind when it came before his board. The paper of a well-known and highly-rated firm in a leading branch of industry was brought before them by brokers, who had it for sale. The board of directors, at the next meeting, considered the question. The house had a first-rate reputation, high credit, splendid connections, and a business said to be lucrative much beyond what is common. Some of the board were in favor of buying it on these grounds. He told them, however, that he had consulted the president of the oldest bank in the place about it. The president aforesaid shook his head, said he never touched the paper, though he had often had it offered him. "There's too much of it," said he; if you buy what they offer you, they will soon offer you more, and you can get any amount you want. It does not matter whether it is \$10,000, or \$100,000, or \$500,000—they will make it for you." The shrewd old president had found out all this by close enquiries, and gave his advice for what it was worth. My friend reported this to his own board, and they fortunately took his advice. Not long afterwards the concern burst up. Numbers of firms were found interlaced together. When the main prop was taken away they all fell, and their paper was found floating about in scores of banks all the way from the Atlantic Ocean to Chicago. I happened to know something of the circumstances of this case, for they had connections in Canada, and the Canadian banks lent one branch of the concern money; but it was lent in the manner first reported, *i. e.*, after confidential interviews, specific information, and with resources in palpable view. The parties finally stopped payment there also. But the issue was widely different. For, while the Canadian banks got paid in full, the unfortunate buyers at haphazard on this side received less than ten cents on the dollar.

I do not produce this by any means as showing that all the banking wisdom of the Continent is on our side of the line. It does occasionally happen that a banker in Canada will break through established customs and try his hand at buying the one-name bills of well-known American houses from brokers. We have



had two cases of this kind during the last year. A house whose bills were bought was reputed to be worth millions, marked A 1 with a star, said to own immense and valuable properties, and all the rest of it. The house collapsed about a year ago, to the astonishment of everybody but a very few knowing ones, who had inside information; perhaps two or three people in all. Those who lent them money without ever seeing them, on mere outside report, and trusting to the A 1 with a star, and so forth, have got severely bitten for their folly. No, all the wisdom is not on our side, by any means. I adduced the former instance, however, to contrast the two methods of lending money and their consequences, respectively. The force of the contrast is very apparent. The lender who makes a transaction after personal intercourse, close enquiry, and inside information, gets paid in full; the others, who bought this one-name paper on outside report, got next to nothing.

It is not always that persons can judge wisely, and come to correct conclusions about methods of business which differ from their own. But in this case the matter can be brought within the operation of general principles, such as are applicable in every country and to every banking system. It is for this reason that I have ventured to deal with it in your presence. The custom of making one-name paper and selling it through brokers is not established amongst us. But it is one that can be judged of on the general principles I have laid down. It may easily be seen that I regard the practice as illegitimate for the borrower, and dangerous for the lender. It is not only illegitimate for the borrower, but in the long run disadvantageous. To the borrower it encourages an extended and inflated style of business. It leads also to business and personal extravagance. The old adage, "easy come, easy go," is perfectly applicable to this case. When money in quantity can be had by the simple process of writing out a promissory note, without any necessity to pledge security or to ask a personal guarantor, or even to make explanations to the lender, it is scarcely in human nature to use money so obtained economically and carefully. And the want of economy and care introduced into business on a large scale can have but one result. There is many a poverty-stricken man to-day "loafing" about our cities in enforced idleness, who in all probability would have been on his feet had he not been able to borrow money so easily. The best friend that a borrower can have, is a lender who is careful of the amount he parts with and the security he lends upon.

With respect to loans without security which are negotiated in a legitimate way, there is a vast amount of false pride afloat in the community. Some people think that a sort of slight is inflicted upon them when they are asked for security, forgetting that the very act of borrowing puts them upon a dependent footing. The true pride in the case is that of a very rich mercantile firm, whom I once knew well. On the rare occasions when they found it necessary to borrow, it was their pride to be able to put down Government securities as collateral. They were too proud to ask the banker to lend them money as a personal favor—a form of pride which might be imitated with advantage by many people whose vanity is greater than their means.

To sum up the whole matter, it may be concluded that in a manufacturing and commercial community there will always be, on the part of some firms, a necessity to borrow money to a greater or lesser extent during the process of manufacture and for other

reasons. When money requires to be borrowed, the rational and business-like mode of doing it is to approach the lender, who is generally as glad to see a good borrower as the borrower is to see him. When the borrower is a man of business and the lender is a banker, the way for such applications is perfectly open. It is the banker's business to listen to applications for the employment of money. The borrower, as a rule, finds it of the greatest possible advantage to open up his needs to his banker, to consult with him about various phases of his business, and especially as to that particular phase of it which leads to the necessity for a loan. A banker's cautious and prudent habits may be in the highest degree advantageous to the borrower in the way of information and advice, restraint or direction. Many a man has had reason to be grateful to his banker again and again for such advice, which comes most naturally and readily to hand at a time when loans of money are being applied for; and many a man has reason to be thankful that his banker at certain times refused to lend him money. I say, then, that the legitimate, natural and proper manner for money to be borrowed by a person wanting it is to make application in person. The banker, on his part, when such applications are made, has the opportunity of personal conference with the borrower and can judge whether it is safe and prudent, under the circumstances, to lend an amount, more or less without security. In doing so he has the whole position before him, the nature of the business, whether it is risky or otherwise; the extent of the business, whether it is in proportion to capital or not; the amount of the loan, whether it is reasonable or unreasonable; whether, if he cannot safely lend the whole that is applied for, he may safely lend a part, and the party applying be contented with this smaller amount, or whether, in his own interest and that of his customer (for the interests are identical) he should not refuse to loan anything without security at all. This mode of doing the business puts the matter on a rational footing. On the other hand, when you look at the practice of floating bills by the borrower, and the purchase of them in the open market by a banker, without personal communication, we find that its tendency for the borrower is to lead to undue inflation, unregulated expenditure, and general business extravagance. As for the banker, it puts him in the position of lending money to a person who never asked him for it, whom he has never seen, whose affairs he only knows by common report, he being entirely ignorant how much is being borrowed altogether; ignorant, also, whether the purpose to which the money is to be applied is a wise or foolish one, whether, in fact, it may not be applied to pay gambling debts, to run race horses, to build swell villas at fashionable watering places, or ambitious extensions to factories quite big enough already, or to create a corner in cotton, corn or lumber, or in fact to dissipate the money in any one of the thousand ways by which "fools and their money" are parted. I do not say that the money raised in this manner is generally employed in any of these illegitimate ways. We may be thankful that it is only a certain percentage of the community that are either rogues or fools. But I do say, that if a person desired to raise money for any one of these illegitimate objects, the very best mode of doing so would be by floating his paper, if he could, in the open market, and that the practice of buying such paper by bankers affords splendid facilities for it. Need I say, then, that I regard the practice as fundamentally and radically bad? It is contrary to common sense and sound reason. It

is as bad for the borrower as for the lender. It has inflicted frightful losses upon the banking community in the past, and if continued it will inflict frightful losses again. It ought, therefore, to be abolished, and the best way to abolish it as a whole, would be for each banker to abolish it for himself, by refusing to have anything to do with it, so far as he is individually concerned.

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## THE BANKING SITUATION AND PANICS.

At the Annual Convention of the American Bankers' Association, Saratoga Springs, the following remarks were offered by Mr. William Ernst, President of the Branch Northern Bank of Kentucky, Covington, Ky.:

The subjects upon which I have been requested to give my views in a brief address are as follows:

*First.*—"The financial and banking situation."

*Secondly.*—"Suggestions tending to prevent panics, and make our banking system more responsive to the wants of business, especially in periods of monetary perturbation and commercial pressure."

*First.*—What is, at this time, the financial and banking situation?

It is one of uncertainty and partial distrust, but with some elements of hopefulness. The financial operations of the country are so intimately connected with, and so largely controlled by, the banks, that whatever weakens confidence in them must affect unfavorably every financial interest. That confidence in banks has been seriously shaken by the unwise management of some, and the dishonest management of others, resulting in the failure of many banking institutions, is a proposition that will be accepted by this Association without argument. All of its members have felt it in a greater or less degree.

Whilst it is true that the large majority of the banking institutions of the country have been honestly and well managed, and are as worthy of confidence now as at any time in their history, there are many not deserving of this commendation, and the management of some of them has been of such a character as to involve them in trouble, and, in some instances, in disgrace, and thus to create in the public mind a measure of distrust of all banks. This feeling is not so active now as it was some time ago, and in all probability will soon pass away, as all solvent banking institutions are gradually strengthening themselves, and the bountiful harvests secured and in prospect, have caused a more hopeful feeling among the people generally. But it has caused, and is still causing, extensive hoarding of money, the effect of which must be to retard somewhat the return of confidence and the prosperous movement of the various industries.

A discouraging feature of the situation is the fact that the great manufacturing and commercial interests have not yielded for some time past, and are not now yielding, a fair and reasonable return for the capital and labor employed in them; have, indeed, in many instances, been carried on, and are now being operated, at a positive loss. So long as these important interests shall continue in a

depressed condition, financial prosperity is impossible. But, with the large actual and prospective yield of agricultural products, which, after all, are the real foundation of prosperity, we may reasonably hope for an early improvement in the other great branches of industry; and along with that will come restored confidence and a healthier financial condition. While, therefore, the present financial and banking situation is one of uncertainty and partial distrust, it is not without features of encouragement and hopefulness.

*Second.*—How to prevent panics, and to make our banking system more responsive to the wants of business, especially in periods of monetary perturbation and commercial pressure?

A panic is caused by a keen sense of danger suddenly taking possession of the mind. The danger may be real or only imaginary, but a panic is the result in either case. It may not be possible to prevent a panic arising from imaginary danger; but such panics are, from their nature, short-lived and not usually productive of much harm, especially in financial matters. They may also be general, or only local.

A general financial panic can arise only from a widespread loss of confidence in the soundness of banking institutions generally, caused by revelations of weakness and dishonest or incapable management in unexpected quarters. And the panic in its intensity, continuance and destructiveness will correspond to the number and character of such revelations. The chief responsibility for financial panics is thus brought home to the banks themselves. We must, therefore, look to them for a preventive.

I cannot, in a brief address, as this is required to be, enter upon a discussion of the general principles that underlie and control sound banking, but will notice some departures from those principles, to which may be directly traced the present financial situation; and having discovered the cause, it will not be difficult to suggest means to prevent a recurrence of similar disasters, or, at least, to make them less frequent.

It must be borne in mind that the banks are the depositories of the larger part of the credit and surplus cash of our entire people. According to the report of the Comptroller of the Currency for 1883, the net deposits of the Savings banks, State banks and private banks on November 30, 1882, was \$1,782,000,000, and of the National banks on December 30, 1882, \$1,119,000,000, (omitting fractions in both cases) making an aggregate deposit of over \$2,900,000,000. The data in my possession do not enable me to determine the percentage of cash held at those dates by these institutions against this vast liability; but from the same authority it appears that on October 2, 1883, the amount of individual deposits with National banks was \$1,063,000,000. There was due to banks, at same date, \$270,000,000; due from banks, \$208,000,000, showing an excess of liability of \$62,000,000, which added to the individual deposits, gives their aggregate cash liability of that date as \$1,125,000,000. The total amount of cash on hand at the same date, including United States certificates of deposit was, according to the same report \$211,000,000, which is only about eighteen and three-quarters per cent. of cash means to cash liabilities; and this, probably, fairly represents the percentage of cash reserve held by the other classes of banks and bankers—a reserve manifestly insufficient to meet any unusual demand from depositors, and at the same time extend reasonable aid to the business of the country. The public being so largely interested in the

soundness of the banks will keenly watch their operations, and quickly take alarm upon the first indications of weakness. Hence the necessity of keeping the banks at all times strongly fortified.

The first departure, therefore, from the principles of sound banking is found in the fact that the banks as a whole, have worked too closely on their deposits—have kept insufficient cash reserves.

A second departure from the principles of sound banking is found in the pernicious system that has prevailed among banks in all parts of our country of allowing interest on deposits payable on demand; in other words, of borrowing money payable on demand to loan on time. The evils of this system are manifold.

1st. It creates liabilities on the part of banks greatly disproportioned to their capital.

2d. It forces banks to use too large a portion of their deposits in loans.

3d. In times when the demand for money for commercial and industrial purposes is sluggish, and interest-bearing deposits accumulate, the banks are strongly tempted to loan on speculative or doubtful securities, taking risks they would not take if the money on hand were not costing them anything.

4. It causes country banks to place a large portion of their cash reserves with interest-paying banks, instead of keeping them in their own vaults, thus concentrating a large percentage of the surplus cash of the country in the great commercial centers, where speculation often runs riot, and subjecting the financial interests of the whole country to the risk always connected with speculative operations.

There is another feature in the business of many of the banks, especially in some of the larger cities, that I regard as a departure from the principles of sound banking, viz.: The custom of loaning large sums to persons engaged in purely speculative transactions in stocks, provisions, grain, &c.

The question of morals involved in this custom, and the business it supports, it is not my purpose to discuss. I shall notice only its influence upon the banks and upon the industrial interests of the country generally.

*First.*—Its influence upon the banks.

The custom is to loan on call, taking stocks, bonds, etc., as collateral; and a large part of the assets of many of the banks consists of such securities. When the money market is easy and quiet, banks holding securities of that kind can realize upon them at pleasure, and they feel safe in loaning out their means to the full limit. Suddenly the danger signal is seen, and the banks, conscious of their weakness, at once proceed to strengthen themselves by vigorously calling in their loans. The calls coming from all quarters at the same time, the debtors are unable to borrow elsewhere, and cannot respond to the calls upon them. The securities are placed on the market and sold at a heavy loss. The anxiety to realize upon them is, generally, in proportion to the difficulty of effecting sales, and they continue to be pressed upon the market until prices drop twenty-five to fifty per cent. below the prices previously current, and a panic ensues, which, in its damaging effects, is felt in every part of the country and by every interest. Unhappily this is no fancy sketch, but one that finds its counterpart in late events, and in others recorded in the financial history of our country.

*Second.*—Its influence upon the commercial and industrial interests of the country generally.

It will hardly be questioned that the main purpose for which banks were instituted was to aid the commercial, manufacturing and other industries requiring capital for their successful prosecution.

Now, just to the extent that aid by the banks is withheld from those interests and diverted to the support and encouragement of purely speculative operations, are those interests injured and crippled. And, as has been before remarked, when those interests are depressed all others languish in sympathy with them.

Besides, it tends to create fictitious prices, not only of stocks but of the staple products of the country, thus interposing a barrier that obstructs the free movement of those products between the producer and the consumer, both home and foreign.

Now, a system of banking that is attended with danger to the banks themselves, by preparing the way for panics, with their multitudinous evils, that encourages speculation with its demoralizing influence both upon character and business, and withholds needed aid from the various wealth-producing industries of the country, must be regarded as unsound, and should be discarded.

We are now prepared to answer the second inquiry, viz., how to prevent panics, and to make our banking system more responsive to the wants of business, especially in periods of monetary perturbation and commercial pressure.

*First.*—Capable and honest men only should be placed in charge of banks, and as soon as any officer of a bank is found to be engaged in speculative operations beyond his personal means, he should be instantly dropped.

*Second.*—Every bank should keep a cash reserve, *in its own vaults*, of at least thirty per cent. of its cash liabilities. For however uniformly the deposits may run for a time, they are not a part of the bank's capital, and should not be treated as such. Occasions will certainly arise, in the vicissitudes of business, when unusual demands will be made upon them by depositors, and these occasions are sure to come at unexpected times.

*Third.*—Abolish entirely and forever the custom of allowing interest on demand deposits, and discredit every bank and private banker that continues the custom.

*Fourth.*—Extend liberal aid to commercial, manufacturing, agricultural and other branches of industry, and loan no money to persons engaged in purely speculative operations, either as principal or broker.

If these simple principles shall be adopted and rigidly adhered to, financial panics of extensive action will be scarcely possible, certainly will be of rare occurrence. Seasons of monetary perturbation and commercial pressure there may be, and probably will be; but the banks will be in a condition to steady the one and relieve the other.

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## SURETIES ON OFFICIAL BONDS.

The following article is an extract from one on the above subject, by Guy C. H. Corliss, which appeared in the *Albany Law Journal*. Within a few months several adjudications have been made concerning the liabilities of parties on bonds given by bank officials.

The question is often presented as to the liability of the surety after the expiration of the term of office on a bond providing for the faithful performance by the principal of the duties of his office *so long as he shall continue in office*. The decisions are quite uniform on this point, and the rule they establish is that the surety is not liable, even though the statute provides that the officer shall remain in office after the expiration of his term until his successor has qualified, and the officer remains in office and commits defalcation after the term of his office has expired, there having been no successor elected or appointed or none having qualified. *Arlington v. Merrick*, 3 Saund. 403, is the leading case. The bond, after reciting that one J had been appointed deputy postmaster for six months, was conditioned for the faithful execution by J of the office "*during all the time he shall continue postmaster*." Held, that the surety was not liable for funds embezzled by J after the expiration of the six months. This case does not quite sustain the broad rule above expressed, because there was no statutory provision that the officer should remain in office until his successor should qualify. But in the following cases the precise rule was established, as in each of them it appeared that the officer was to hold over until the qualification of his successor, and in each the bond was conditioned for the faithful discharge of his duties *during his continuance in office*. *Riddel v. School Dist.* 15 Kans. 168; *Mutual Loan & Build. Assn. v. Price*, 16 Fla. 204; *Chelmsford Co. v. Demarest*, 7 Gray 1.

In *Thompson v. State*, 37 Miss. 518, the Supreme Court of that State held that a surety under such a statute and such a provision in the bond should be liable until a successor had actually qualified. To same effect is *Chairman of Common Schools v. Daniel*, 6 Jones 444. The doctrine of these two cases rests upon the assumption that the provision of the statute, that the officer shall continue to discharge the duties of his office until his successor has duly qualified, renders the term of office indefinite, and of course the natural sequence of this construction of the law is that the liability of the surety on the official bond is correspondingly indefinite. The argument may be thus expressed: The surety is fully informed by the law that the term of office of his principal may be indefinite by reason of an omission to appoint or elect a successor. It is with this knowledge that he signs the bond. Why should he not be bound until such successor has been elected and has qualified? The fallacy of this reasoning lies in the assumption of the proposition from which the conclusion is deduced. The surety is *not* apprised by the law that his principal's term of office may be prolonged indefinitely. He knows that the sole object in inserting a provision in the law extending the tenure of the office until the appoint-

ment of a successor is to obviate the possibility of a vacancy in the office.

The purpose is *not* to extend the term indefinitely.

This is the universal understanding as to the object of such a provision. It is very clearly expressed in *Welch v. Seymour*, 28 Conn., at page 391: "A provision for an extension of an official term until a successor is appointed is well understood and intended to be a precaution against a vacancy or lapse in the office, not to create an unlimited tenure."

The same is stated by the court in *City Council of Montgomery v. Hughes*, 65 Ala. p. 208. It is therefore manifest on principle that when a surety signs an official bond under such circumstances, he signs it with the most implicit belief justified by the universal interpretation of such a provision in a statute, that the term of office will *not* be extended beyond the statutory term, and such reasonable time thereafter as may be necessary to secure the appointment and qualification of a successor in office. He has a perfect right to assume that his liability will be commensurate in point of time with this term. For the court to extend his responsibility to a period beyond such term is to interpolate into the surety's contract a provision not therein expressed, and in effect to fasten upon him a liability to which he has never assented.

The most reasonable rule is that which was enunciated by the Massachusetts Supreme Court in *Chelmsford Co. v. Demarest*, 7 Gray 1, and adopted in the following cases: *Supervisors v. Kaine*, 39 Wis. 468; *Mutual Loan & Build. Assn. v. Price*, 16 Fla. 204; *Mayor, etc., of Rahway*, 40 N. J. L. 207. These cases hold that the surety is liable for such reasonable time after the term and before the successor is appointed "as is reasonably sufficient for the election and qualification of his successor, and no longer."

Where either the statute provides that the officer shall hold over after his term until his successor is appointed or the bond is conditioned for the honest performance of the duties of the office by the principal *during his continuance in office*, the authorities are unanimous to the effect that there is no liability after the expiration of the statutory term. Whether the doctrine of a reasonable time would obtain in such a case has not been very often presented to the courts. It was presented in 40 N. J. L. 207, and the court held it did obtain. The authorities which support the proposition first expressed are the following: *Hassell v. Long*, 2 Maule & Sel. 363; *Liverpool Water Works v. Atkinson*, 6 East, 507; *Kingston Mut. Ins. Co. v. Clark*, 33 Barb. 196; *State Treasurer v. Mann*, 34 Vt. 371; *Leadly v. Evans*, 2 Bing. 32; *Welch v. Seymour*, 28 Conn. 387; *Kitson v. Julian*, 30 Eng. L & Eq. 326; *Dover v. Twombly*, 42 N. H. 59; *Moss v. State*, 10 Mo. 338; *South Carolina Soc. v. Johnson*, 1 McCord 41; *Mayor v. Howe*, 2 Harr. 190; *County of Wapello*, 10 Iowa 39; *Montgomery v. Hughes*, 65 Ala. 201; *Commonwealth v. Fairfax*, 4 Hen. & Munf. (Va.) 208. Of course where the bond in express terms provides that the surety shall be bound while the principal shall remain in office, whether in consequence of the original or of any other election, the surety will be responsible for any default occurring after the expiration of the first term, provided the principal is in office under an election or appointment. *Oswold v. Mayor of Bortwick*, 5 H. L. Cas. 890; *Angero v. Keese*, 1 Mees. & Wels. 390; *People's Build. Assn. v. Wroth*, 43 N. J. L. 70.

So where the office is for an indefinite period and the terms of the bond do not limit the time of liability the surety is liable so



long as the principal holds the office. *Richardson School Fund v. Dean*, 130 Mass. 245; *Amherst Bank v. Root*, 2 Met. 522; *Worcester Bank v. Reed*, 9 Mass. 267; *Cambridge v. Fifield*, 126 id. 428; *Commonwealth v. Reading Savings Bank*, 129 id. 73; *Dedham Bank v. Chickering*, 3 Pick. 335.

Another important principle which is supported by all the adjudications is that when an officer is required to perform a duty which is special in its nature, and he is required to give a special bond for the faithful performance of such duty, the general bondsmen, in the absence of any provision to that effect, are not liable for his malfeasance in the discharge of such special duty. *Board of Suprs. of Milwaukee Co. v. Ehlers*, 45 Wis. 281; *Williams v. Norton*, 38 Me. 52; *State v. Young*, 23 Minn. 551; *County of Redwood v. Tower*, 28 id. 45; *State v. Felton*, 59 Miss. 402; *Commonwealth v. Toms*, 45 Penn. St. 408; *State v. Corey*, 16 Ohio St. 17; *State v. Johnson*, 55 Mo. 80; *Henderson v. Cooner*, 4 Nev. 429; *People v. Moon*, 3 Scam. 123; *Waters v. State*, 1 Gill. 302; *United States v. Cheeseman*, 3 Saw. C. C. 424; *Governor v. Matlock*, 1 Dev. 214; *Governor v. Barr*, id. 65; *Crumpler v. Governor*, id. 52; *State v. Starnes*, 5 Lea. 545.

An interesting question often arises in a contest between two sets of sureties upon two distinct official bonds executed for two distinct terms of office held by the same person. It not unfrequently happens that the principal, after having misappropriated a sum of money during one term, uses funds received by him during a succeeding term to make good his defalcation, and thereby creates a deficit in the sum for which he is bound to account during such subsequent term. The question is then presented as to which set of sureties is liable. It seems from the authorities that the respective liabilities of sureties and different bonds under these circumstances is to be determined by the law governing the application of payments. It is an universally recognized principle that a debtor may at the time of payment designate the debt to which his payment shall be applied, and this rule obtains even where the rights of sureties may be affected by such application. The decisions uniformly hold that the case of *official* sureties furnishes no exception to the rule; and they accord to the principal the right to use the funds collected during a subsequent term of office to extinguish a liability, created by misappropriation or in any other way, during a former term, provided the Government acts in good faith, knows nothing of the source from which the moneys so applied are derived, and has no knowledge that the officer intends to defraud the sureties on the subsequent bond. This application of course creates a deficit in the second term for which the sureties on the second bond will be liable. *Egremont v. Benjamin*, 125 Mass. 15; *State v. Smith*, 26 Mo. 226; *State v. Sooy*, 39 N. J. L. 539; S. C. on appeal, 41 id. 394; *Seymour v. Van Slyck*, 8 Wend. 403, affirmed in Court of Errors on same point in 15 id. 19; *Gwyne v. Burnell*, 9 Bing. 544. 2 Bing. N. C. 7, and 7 Cl. & Fin. 572; *inhab. of Colerain v. Bell*, 9 Metc. 499; *Chapman v. Commonwealth*, 25 Gratt. 721. Some of the cases hold that where there is an open and running account between the principal and the government, a general payment will extinguish the earlier items of the account, even though the effect of such an application be to exonerate the sureties on a former bond from liability, by the payment of moneys collected during a succeeding term, and to impose upon the sureties for such subsequent term a liability for the deficit thereby

created. *Inhab. of Sandwich v. Fish*, 2 Gray 298; *United States v. Wardell*, 5 Mason 82; *Postmaster-General v. Furber*, 4. id. 333; *Readfield v. Shearer*, 50 Me. 36.

There are several cases that seem to militate against this rule. *United States v. Eckford's Ex'rs*, 1 How. 250; *Hoboken v. Kamena*, 41 N. J. L. 435; *United States v. January*, 7 Cranch 572. Judge Story in a note to *United States v. Wardell*, *supra*, states that *United States v. January* did not decide the point; but the Supreme Court in *United States, Eckford's Ex'rs*, decided 15 years later, *held*, that it did and quoted with approval what was said by the court in that case on that point. In *Hoboken v. Kamena*, *supra*, the question was not directly involved, but the court expressed its opinion on the subject in these words: "Independent of any *actual* appropriation it appears to me that sound legal principle will not permit the application of the city funds of which the treasurer was in receipt subsequent to the taking effect of his last bond, to the relief of the sureties on the bond or bonds covering the time when the treasurer actually made default or was guilty of fraud or embezzlement."

The case of *Seymour v. Van Slyck*, 8 Wend. 403, affirmed in Court of Errors, 15 id. 19, recognizes the same doctrine. But both courts held that the intention of the officer to apply the payment upon the oldest items might be *inferred* from circumstances.

In the Supreme Court Judge Sutherland, after referring to the general rule, that a payment on account is applied by law in extinguishment of the earliest items, says: "But in a case like this where, although the account is continued and unbroken, there has, during the progress, been a change of sureties, I am inclined to think the principle ought not to be applied. So far as the parties have not, either expressly or by necessary implication arising from the circumstances of the case, applied the payments, it is obviously just and equitable, as it regards the sureties, that each should have the benefit of the amount actually received by his principal during the period of his suretyship, so far as it can be ascertained." And this doctrine is reiterated in the Court of Errors by the chancellor in whose opinion a majority of the court concurred. In the following other cases the same rule was adopted and applied: *Postmaster-General v. Norwell*, Gilpin 106; *Chapman v. Commonwealth*, 25 Gratt 721; *Paw Paw v. Eggleston*, 25 Mich. 36; *Pickering v. Day*, 3 Hous. 474; *Inhab. of Porter*, 47 Me. 515; *Myers v. United States*, 1 McLean 493; *United States v. Linn*, 2 id. 501.

But where the government exercises its right of applying the payments at the time, and is ignorant of the source from which the money so applied is derived, and of any design on the part of the principal to defraud the subsequent sureties, when it acts in good faith, the application so made will bind the subsequent sureties, even though it imposes upon them a liability in exoneration of former sureties, by discharging the deficit of a former term with money received during a subsequent term and even though the officer fully applies all moneys received during such subsequent term to the use of the government by disbursing it in part as required by law, and by paying over the balance in discharge of his deficit, or by using the whole sum received during such term to make good such deficit. *United States v. Giles*, 9 Cranch 112; *Attorney-General v. Manderson*, 12 Jur. 383; *Chapman v. Commonwealth*, 25 Gratt. 721.

In conclusion the reader's attention is called to the authorities which enunciate the doctrine that sureties on an official bond are not discharged by the negligence, omission of duty, or malfeasance of another public officer, which may have rendered it possible for the principal in the bond to commit the defalcation for which the sureties are sought to be charged. *Bonta v. Mercer County Court*, 7 Bush (Ky.) 576; *Board of Supervisors v. Otis*, 62 N. Y. 88; *Jones v. United States*, 18 Wall. 662; *People's Building Association v. Wroth*, 43 N. J. L. 70.

The principle on which the rule is founded is clearly stated in *Board of Supervisors v. Otis*, *supra*, at page 95. "There is no good reason why the public, having exacted security from one official for the faithful discharge of his duties, should be held by implication to have guaranteed to those sureties the faithful discharge by other public agents and officials of other duties having an incidental or collateral relation to the duties of the principal."

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### LEGAL MISCELLANY.

**CERTIFICATE OF DEPOSIT—ALTERATION.**—Where a party takes a certificate of deposit from a banker, and in selling it induces and allows another party to fill up the printed blank so as to make it draw ten per cent. interest, no such rate being agreed upon by the banker, he adopts the fraudulent alteration as his own act, and the certificate becomes void. The original cause of action upon the account was merged in the certificate, and the circumstances under which it became void do not justify the court in holding that it revived by reason of the fact that the certificate became void. No recovery can be had on the certificate, or on account for the money given for it. [*Woodworth v. Anderson*. Sup. Ct. Iowa.]

**INDORSEMENTS "FOR COLLECTION."**—Where the cashier of a bank indorsed a draft made payable to him as cashier, and such indorsement was, "Pay to W. H. Patterson, cashier, or order, for collection for account of First National Bank, Lynchburg, Va.," signed by the cashier, such indorsement was nothing more than a warrant of attorney, authorizing the indorsee to collect the amount due on the draft for the indorser. It conveyed no title to the paper, but was notice to all persons subsequently dealing with the paper that the indorser had not parted with title, or intended to transfer the ownership of the proceeds to another. The legal effect of the indorsement was to notify the world, that defendant in error was the owner of the draft, and the Citizens' Bank (of which Patterson was cashier) merely its agent to collect, and had a qualified title for that purpose only. *Morse on Banks*, 52; 16 Peters 1; 1 How 234; 3 Penn. St. 348; 22 Md. 148; 1 Wall. 166; 102 U. S. 658; 1 Bond 389; 11 R. I. 119; 51 Iowa 15.

2. The Central Railroad and Banking Company having collected the draft, receiving the same from Patterson, cashier, on an indorsement, "Pay to John A. Davis, agent, or order for account of Citizens' Bank of Georgia," was liable to the defendant in error in an action for money had and received, and could not apply the proceeds to a debt due them by the Citizens' Bank of Georgia. Judgment affirmed. [*Central R. R. & Banking Co. of Georgia v. First Nat. Bank of Lynchburg, Va.* Supreme Court of Appeals of Georgia.]

**NEGOTIABLE INSTRUMENT—PRODUCTION OF NOTE AT TRIAL.**—A person who seeks to recover upon a negotiable instrument must be prepared to produce it, and have it before the court on the trial, as controlling it, unless the instrument is lost, and the owner brings himself within the exemption afforded by equity or the statute. It is not enough to show that the note is in the possession of or claimed by some one else. [*McKinney v. Hamilton*, Michigan Sup. Court.]

**NEGOTIABLE INSTRUMENT—TRANSFER TO ONE PARTNER—PAYMENT TO ANOTHER.**—When a note payable to a partnership firm is indorsed by the firm in blank and transferred to one of the partners before maturity, the maker, if he has notice of the transfer, is not discharged of his liability to the transferee by payment of the amount of the note to another member of the firm. [*Stevenson v. Woodhull*, Cir. Ct., W. D., Texas.]

**FORGERY—BILL OF EXCHANGE—"CURRENT FUNDS" UNSTAMPED, NO DEFENCE.**—An instrument, described as a bill of exchange in an indictment for forgery, was in the following form: "Staunton, Va., September 4, 1882. Augusta National Bank, pay to J. Edwin Laird, or bearer, the sum of seventy-five dollars (\$75) current funds." Held, that the words "current funds," as used in the paper meant nothing more nor less than "current money," and so construed, the instrument was negotiable. That, in the absence of proof showing the law of the State of Virginia, where the instrument was drawn, to be different from that of Maryland, the character of the instrument was settled by the case of *Hawthorn v. State*, 56 Md. 530, which holds that a check drawn on a bank is a bill of exchange. That the fact that the check or instrument described in the indictment was unstamped constituted no ground of defence. One cannot, it is true, be convicted of the forgery of a paper absolutely invalid upon its face, and which could not operate to the prejudice of another. But it has never been held that an unstamped instrument is, *per se*, valid. On the contrary, the decisions are all the other way, and on two grounds, first, the stamp laws were intended as revenue laws, and to render the contract invalid or inadmissible in evidence, it must appear by affirmative proof that the omission to stamp it was not the fraudulent intent to evade the law; and, secondly, upon application to the proper officer the stamp may be affixed upon the payment of the penalty, or without payment if the omission to stamp it was by reason of accident, mistake or inadvertence, etc. 14 United States Statutes at large, ch. 184, § 158; *Campbell v. Wilcox*, 10 Wall. 420; *Black v. Woodrow*, and *Richardson*, 39 Md. 195. [*Laird v. State*, Sup. Ct. Maryland, October, 1883.]

**MUNICIPAL CORPORATION—POWER TO BORROW MONEY—CONFLICT IN AUTHORITIES.**—The question of the implied right of municipal corporations to borrow money, or issue bonds with all the qualities of paper negotiable by the law merchant, has undergone frequent adjudication in the American courts. It has also been extensively discussed by the ablest elementary writers and commentators upon the subjects to which the question properly belongs. The weight of authority, so far as the State decisions are concerned, seems to favor the power. The majority of elementary writers are decidedly opposed to it. *Mills v. Gleason*, 11 Wis. 470; *Bank v. Chillicothe*, 7 Ohio, part 2, p. 31; *Williamsport v. Commonwealth*, 84 Penn. St. 487; *Clarke v. School District*, 3 R. I. 199; *City of Galena v. Corinth*, 48

Ill. 423; *contra* *Hackettstown v. Sunckham*, 37 N. J. L. 191; *Knapp v. Hoboken*, 30 N. Y. 394; *Dent v. Cook*, 45 Ga. 323; *Hamlin v. Meadville*, 6 Neb. 227; *Beaman v. Board of Police*, 42 Miss. 238; *Capmartin v. Police Jury*, 23 La. Ann. 190; *Dill. Munic. Bonds*, 12, 13, 14; *Dill. Muuic Corp.*, § 117, *et seq*; *Burroughs on Pub. Sec.*, ch. 5; 2 Daniel Neg. Inst. 1527 *et seq*. In the Supreme Court of the United States, where the point is most frequently raised, the question is in a very unsettled state, and some of the decisions of that court seem difficult to reconcile with each other. *Police Jury v. Button*, 15 Wall. 656; *Wells v. Supervisors*, 102 U. S. 625; *Mayor v. Ray*, 19 Wall. 484; *Lynde v. County*, 16 id. 6; *Hitchcock v. Galveston*, 96 U. S. 341; see also *Gause v. Clarksville*, 5 Dill. 165. It is to be noted, however, that whenever in that tribunal the power has been sustained, it has been by a divided court, whenever it has been denied the court has been unanimous. The decisions, too, have been made to rest more or less upon the policy of the particular State in which the cases have arisen, in reference to the issuance of negotiable bonds by municipal corporations. [*Robertson v. Breedlove*, Tex. Sup. Ct.]

## LETTERS TO BANKERS—BY A RETIRED OFFICIAL.

[FROM THE SCOTTISH BANKING AND INSURANCE MAGAZINE.]

### NO. V.—TO THE AGENT.\*

MY DEAR SIR,—Any man is competent to *give away* money, but only a man of shrewdness and capacity can successfully *lend* it; and the fact that you have been selected by the bank for your present position is evidence that you are so regarded by the directors. Such an opinion is worth some trouble to retain and confirm, and to this end I trust that you will pardon me when I mention a few points of importance bearing on your relation to the public, to your clerks, and to your head office, most of which, I do not doubt, are already known to and acted upon by you.

Although still a subordinate, your position is widely different from that of those whom I have already addressed. You are now an *agent*, that is, "a person who *acts*," and this acting must, in many cases, be solely on your own responsibility and according to your own judgment.

There is a great difference between being the trusted representative of the bank, and being merely an instrument (like the safe key) whereby the money box is opened and shut by the officials at head office; and the more confidence that the bank has in your discretion, the more freely will you be left to act in its interest.

The great aims of every agent are to have the amount of his deposit money large, and to so manage his advance business that he may be able annually to send up his return of bad debts a perfect blank; and if due regard is paid to true business principles, you should manage to effect both these desirable ends.

So far as regards increase of business, the best tool in your basket is personal popularity; and the attainment of this is worth a good deal of pains, always keeping in view that the true secret is not to seek for it, but to *deserve* it. In your bearing to the public there is a wide range between the "rough and ready" at one end of the scale, and the "stiff and stilted" at the other, and the middle territory of cordiality, tempered by due reserve, would be your best choice. I could name one northern agent, who is to

\* Although "The Agent" is unknown in our own system of banking, the letter to this official is so full of wise suggestion and good advice, that our readers will find it to be well worthy of their attention.—ED. B. M.

be seen at the back of the counter with his coat off, a not very spotless shirt on, and a big pipe in his mouth; and in a more central district I know another who lives almost in solitude, as he considers only three of his neighbors to be fit company for him. It is clearly evident that both these men have mistaken their sphere in life, both being telling examples of the square man in the round hole. The former should have been the skipper of a coasting smack, and the latter should have been born Emperor of All the Russias, or else kept in a glass case as the highest product of social evolution.

While holding it right that due effort be made to extend the business, it should never be forgotten that everything of the nature of *canvassing* for accounts is a dangerous game, and still more is it so when the coveted accounts are kept with other banks. When a man who, at your earnest solicitation has transferred his business to your branch, asks for an advance which your judgment is inclined to condemn, it is a much more difficult matter to say "No," than if he had spontaneously come to deal with you. Never let yourself be under obligation to any of your customers, nor in any way accept reward for any service done to them by you as bank agent. It is often a very delicate matter to refuse an offered gift, but with tact it can be done, and you are left in a vastly more independent position than if you had accepted it.

You should make yourself very familiar with the main principles of mercantile and bankruptcy law, with the management of trust estates, and the statutes regulating succession to the estate of deceased persons. The banker is constantly appealed to on such points, and the more that he comes to be regarded as a trustworthy guide, the more will his business grow in various directions. On one point you should be especially careful. I refer to wills. These, unless of a very simple kind, you should decline to write, as cases of complication and dispute are frequent and troublesome, and any mistake traceable to you would much interfere with your success as a banker.

Always be straightforward with your customers. If you have to refuse an application, do so on the true ground of your unwillingness, and not on the pretext of its being near the end of the month, or close on balance time, or any such plea. An evasive reply may serve your purpose at the time, but like the "boomerang," it will probably come back on your own head when least you expect it.

A letter written by head office at your request may sometimes help you to get payment from a slow debtor, or to easily refuse a doubtful advance; but this should be regarded as a last resort, and as lessening your own future influence. Strong remedies should be sparingly used; the driver who perpetually wields the whip soon finds the voice of no effect; and the man who takes opiates to obtain sleep soon loses the faculty for natural slumber.

The subject of politics, local or national, is one of some delicacy; but you may depend upon it that the man who is always "of the same opinion as the last speaker" gains the respect of none. To have *no* views on great questions reveals weakness of mind, while to have such and *conceal* them shows a want of backbone which does not tend to public confidence. The honest avowal and upholding of your convictions, however, does not include the perpetual thrusting of your ideas under the nose of those who differ from you; and the prudent banker, more, perhaps, than most men, will hold himself aloof from parochial squabbles and acrimonious controversies.

Touching the internal duties of the office, you should, whether trained in the bank or not, study the system of bookkeeping, that so you may exercise an intelligent supervision of the transactions for which you are responsible. This, however, should never extend to the point of superseding your own accountant. As the old proverb says, "There is no use keeping a dog if you are to do all the barking yourself," and few things are more disheartening to an intelligent lad than to have his reasonable authority over the juniors entirely upset by the constant interference of the agent in trifling matters of detail. Your accountant is responsible for the bookkeeping, and should be heartily supported by you. If you wish any change made, give your instructions to *him*, and let him deal with the others.

It is a very distinct part of your duty to count the cash *at irregular intervals*—not in a perfunctory way, but the whole stock minutely; and the custody of the keys should receive special attention. The bank always provides a safe of undoubted security, but the strength of a chain is measured by its weakest link, and the best safe is useless if the keys are available. Should there be several locks, it is desirable that the keys be not in the possession of the same person, or if they have to be so, then they should be kept in different places, and these places occasionally changed. Bank-safe robberies have been rare in Scotland, but we cannot presume on this immunity, and the practice of always keeping the whole bunch of keys in one drawer, known to every inmate of the house, past and present, is a positive invitation to wrong doing. As a well-known banker said to me one day, the keys are really safer when hung in the tail pocket of an old coat where their presence is unsuspected, than if kept in an iron chest and widely known to be there.

The duty of watching over the outside behaviour of your clerks is also one of extreme importance. If their habits and associates are bad, you have no comfort, and the public have little confidence. The young men should regard you as their friend, and they can be taught to do this only if you indeed are so. Many a promising young man has made shipwreck of life, where a kindly interest shown by the agent would almost certainly have averted it. Your position gives you the official right to rebuke or to report, but there is "the more excellent way" of human sympathy and timely guidance.

Your duty to your head office may be summed up in a single sentence—*Be open and frank*. Let all your reports be full and explicit. It is very irritating to a manager to get a whole page filled with "safe," "ditto," "ditto," "ditto." If the advances you make were not supposed to be *safe*, you would not be continued in your agency. What is wanted is some definite statement of the *reasons* for your faith, and this need by no means be a lengthy or laborious task. And finally, in no case, nor under any temptation whatever, should you conceal anything. If you have made a mistake in judgment, say so.

### NATIONAL-BANK AND LEGAL-TENDER CIRCULATION.

Statement of the Comptroller of the Currency on October 1, 1884, showing the amounts outstanding at the dates named, and the increase or decrease of National-bank notes and of legal-tender notes:

#### NATIONAL-BANK NOTES.

Amount outstanding June 20, 1874.....	\$ 349,894,182
" " January 14, 1875.....	351,861,450
" " May 31, 1878.....	322,555,965
" " at date *.....	335,278,844
Decrease during the last month.....	775,742
Decrease since October 1, 1883.....	17,320,313

#### LEGAL-TENDER NOTES.

Amount outstanding July 20, 1874.....	\$ 382,000,000
" " January 14, 1875.....	382,000,000
" retired under Act of January 14, 1875, to May 31, 1878.....	35,318,984
" outstanding on and since May 31, 1878.....	346,681,016
" on deposit with the Treasurer U. S. to redeem notes of insolvent and liquidating banks, and banks retiring circulation under Act of June 20, 1874.....	40,021,760
Increase in deposit during the last month.....	943,629
Increase in deposit since October 1, 1883.....	3,200,259

H. W. CANNON, *Comptroller of the Currency*.

\* Circulation of National gold banks not included in the above, \$ 550,384.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. STOPPING PAYMENT OF CHECKS.

What is the right of maker of a check to stop payment thereof; and what is the obligation of a bank to pay such check in the hands of an innocent holder?

REPLY.—The maker may stop payment of a check at any time before actual payment or certification has taken place, and the bank is under no obligation whatever to the holder.

## II. TAXATION OF BANK SHARES.

The A National Bank holds a considerable amount of the capital stock of the B National Bank, which stock pays, through the State Treasurer, a tax to the town where the A Bank is located. In valuing for the purposes of taxation the shares of the A Bank, should it deduct the amount of the B Bank stock held by it, the same as it deducts real estate?

The Statute of Massachusetts requires that bank stock shall be taxed at its market value, deducting the value of real estate owned by the bank, and saying nothing as to other property—doubtless supposing that the bank would not hold any other taxable property. But the law makes special mention in regard to *Savings* banks that the value of any bank stock held by them shall be deducted for the purposes of taxation.

REPLY.—In our opinion the value of the stock held in the B Bank should be deducted. The power which a State has to tax a National bank is derived from, and governed by, the provisions of the National Bank Act; and by that Act, the State is forbidden to tax bank stock at a rate greater than it taxes other moneyed capital in the hands of its citizens. In Massachusetts the taxes upon National banks are paid directly to the State Treasurer, and by him distributed, through a system of credits, among the different towns and cities, according to the residences of the different stockholders. The taxes upon all the stock of the B Bank must be paid by that bank directly to him, and if the A Bank is not allowed to deduct the amount of its stock in the B Bank, from the value of its own shares, it will thereby, to that extent, be subjected to double taxation, and so to taxation greater than is imposed upon moneyed capital in the hands of other citizens of Massachusetts, which the Bank Act forbids. It is, therefore, entitled to make the deduction, whether the State law provides for it or not.

## III. INTEREST ON MUNICIPAL BONDS.

In 1873 this city issued bonds, payable on the first of August, 1893, containing the following clause: "But the city may, at any time after ten years from the first of August, 1873, pay this debt."

The bonds were made payable at the First National Bank of this place. Before August 1, 1883, the city deposited funds to pay the bonds and interest. A party to whom the coupons, due August 1st, 1883, upon a num-



ber of the bonds, were paid, was notified by letter that the money was deposited to pay the principal. The party receiving the notice was not the owner of the bonds, but the agent of the owner, and neglected to forward the notice to his principal. No official notice of the deposit of the money was given further than an item in the local newspapers. Can the owner of the bonds, who did not present them for payment, but held them a year longer, now claim interest after August 1st, 1883?

REPLY.—We think not. The ordinary rule is, that where money is due and payable at a particular place, if the party is ready with his money at the time and place agreed upon, he cannot be charged with interest afterwards. In this case the city appears to have acted with reasonable diligence. It gave a written notice to the party presenting the coupons for payment, that it was ready to exercise the power given it in the bond, and pay the principal, and the party so notified was the agent of the owner. It is a general rule that notice to an agent, in a business with which he is entrusted, is notice to his principal, and this appears to be a case in which the rule should be applied.

#### IV. SPECIAL CONTRACTS IN PROMISSORY NOTES.

##### STATE OF KANSAS FIRST MORTGAGE REAL ESTATE NOTE.

For value received we promise to pay to the order of J. H. Wilson & Co., one hundred dollars, lawful money of the United States, three years after the date hereof, with interest thereon at the rate of seven per cent. per annum, payable semi-annually on the first days of August and February in each year, according to the tenor of six interest coupons for three dollars and fifty cents each, hereinto annexed and bearing even date herewith, said principal and interest being payable at the First National Bank, Eureka, N. Y. *It is expressly declared and agreed that this note and the coupons hereunto attached are made and executed under, and are to be construed by, the laws of the State of Kansas, in every particular, and are given for an actual loan of one hundred dollars*

This note and these coupons are to draw twelve per cent. interest per annum after maturity, and are secured by a mortgage of even date herewith on real estate in Ulster County. Appraisement waived.

Dated at Noahville, Kansas, the first day of August, A. D. 1884.

F. W. RABER,  
CATHARINE RABER.

The above note is assigned in Kansas by J. H. W. & Co. to G. C. D., a resident of New York, and by him to A. B., another resident of New York. Does the assignment hold J. H. W. & Co., and G. C. D., and is it necessary to protest at maturity? Would the contracts of J. H. W. & Co. and G. C. D. have to be governed by the laws of Kansas or those of New York?

REPLY.—This appears to be, in form, an ordinary promissory note, and to be governed by the usual rules applicable to such instruments. It is undoubtedly transferable by a simple indorsement and delivery, and upon such indorsement and delivery the usual liabilities would follow. We doubt, however, whether J. H. W. & Co. or G. C. D. have assumed any such responsibility. Their transfers of the note are in a peculiar form, and appear to be intended to assign their interest in the notes and security without any further liability. We do not see any reason why they should not have this effect. If, however, J. H. W. & Co. and G. C. D. are indorsers, the note should be protested in the usual way, if the holder wishes to hold them liable. We think their contracts are governed by the laws of Kansas.

## BANKING AND FINANCIAL ITEMS.

**RAILROAD CONSTRUCTION.**—The *Railroad Gazette* reports the construction of 101½ miles of new railroad, making a total of 2344 miles thus far this year, against 3,550 miles at the corresponding date in 1883, 6,668 miles in 1882, 4,018 miles in 1881, 3,196 miles in 1880, 1,798 miles in 1879, 1,160 miles in 1878, 1,176 miles in 1877, 1,467 miles in 1876, 702 miles in 1875, 1,006 miles in 1874, 2,284 miles in 1873, and 4,498 miles in 1872. These statements include main track only, no account being taken of second tracks or other additional tracks or sidings. The new track reported to date is less than for any year since 1879, and is not much over one-third of that given for 1882. The mileage is very nearly the same as in 1873, although greater than that of any year between 1873 and 1880. No very great increase is probable for the rest of the year.

**CALL OF BONDS.**—The one hundred and thirty-first call for bonds was issued from the Treasury on September 26th, being for \$10,000,000 three per cents, to mature November 1. The numbers are as follows, all being original and inclusive:

\$50—No. 304 to No. 306; \$100—No. 2,209 to No. 2,255, and No. 9,549 to No. 9,563; \$500—No. 1,091 to No. 1,114, and No. 4,025 to No. 4,047; \$1,000—No. 10,013 to No. 10,619, and No. 22,914 to No. 23,010; \$10,000—No. 18,365 to No. 19,337.

**THE LEGAL TENDER DECISION.**—In a letter of thanks by the Hon. Hugh McCulloch to ex-Comptroller Knox for a copy of his work on *United States Notes*, the following interesting remarks appear:

No one can read the debates in the Convention by which the Constitution was formed without perceiving how anxious the statesmen of that day were, that Congress should not, even by implication, be clothed with power to make anything but gold and silver money; or the debates in the Senate and House when the legal tender Acts of 1862 were under consideration, without being struck by the manifest reluctance with which their advocates sustained them, even as a *war measure* in a great financial emergency. The book is especially interesting and valuable in view of the recent decision of the Supreme Court, which unsettles what, up to that decision, had been regarded by the best legal minds of the country as established law, and opens wide the door for one of the greatest calamities that can befall a nation—unlimited issues of Government notes, no matter how depreciated they may be, with legal attributes of coin. The country is “at sea” upon a question of supreme importance to everybody in the United States, and in the discussions which this decision makes unavoidable, this history of United States notes will be exceedingly helpful.

**MAINE.**—The First National Bank of Portland has taken possession of its new building, which is one of the handsomest and most conveniently arranged of its kind in the country. The building is of brick and dark red freestone, with a heavy rusticated basement of cut granite. It is five stories in height, including the basement, with stepped gables and prominent though delicately moulded cornices and string courses, its style approaching that of the Flemish Renaissance.

The bank occupies nearly the whole of the first or principal story, the main banking room being sixty-seven feet long and forty wide, with a height of sixteen feet in the clear. It is lighted by nine large windows, occupying the whole of two sides. The finish is in cherry, and the screen

separating the public space from that of the administration is of plate glass and wrought brass work. The eight wickets which give access to the various clerks are also of wrought brass work. The cashier occupies a position connecting directly with the rooms of the president and directors, but outside of the system of compartments for clerks. From his desk he can, by means of electric bells and speaking tubes, communicate at will with each clerk in the room.

The second and third floors are divided into offices, some of the rooms being very large. The upper story is divided between offices and rooms for the janitor, with a large room to be used as a dining room by the bank officials. An elevator runs through every story. The corner stone was laid on July 4, 1883, and the completed edifice is an ornament and an honor to the city which it graces.

**NEW HAMPSHIRE.**—The annual report of the Bank Commissioners of New Hampshire for 1884 shows that sixty-seven Savings banks and one State bank are transacting business under the laws of New Hampshire. The deposits of these banks have reached over \$42,000,000. Their surplus is more than \$1,500,000, and guaranty fund \$1,699,000. The assets aggregate in round numbers \$55,366,000.

**NEW JERSEY.**—On the morning of September 4th, Charles G. Hill, Cashier of the National Bank of New Jersey, at New Brunswick, was found dead in his bed, having been suffocated by gas which he had left turned on, all the windows of the room being closed. Mr. Hill had been connected with the bank and its predecessor for thirty years.

Rumors affecting the condition of the bank were immediately rife, and an examination was ordered. Bank Examiner Shelley discovered a deficit in the accounts of Cashier Hill of over \$200,000, and the bank suspended payment. The President, Mahlon Runyon, was charged with implication in Hill's defalcation, and statements were made that he would be arrested. Mr. Runyon, who was sixty years old, was a large stockholder in the bank, and a man highly respected. Driven wild by excitement and distress, he committed suicide on September 8th, by cutting his throat. His indebtedness to the bank proved to be small.

After a thorough overhauling of the bank's affairs, the capital stock was found to be only slightly impaired. The directors made good the amount lacking, and the bank resumed business on September 25th.

**NEW YORK.**—The State Bank of Fort Edward, New York, closed its doors on Tuesday, September 9, after an examination had been begun by the Banking Department. The officers of the bank say the closing "was voluntary and as a precautionary measure," and they promise that the depositors shall be paid in full. The capital stock of the bank is \$50,000; its deposits about \$60,000.

**BANK ROBBERY ATTEMPTED BY TUNNELLING.**—On September 22d the Cashier of the First National Bank of Las Vegas, New Mexico, became convinced that robbers were tunnelling from an adjoining building to the vault in the bank. Guards were immediately placed in and around the bank. Those inside observed the masonry of the vault gradually sinking. The robbers beneath worked on, ignorant of their danger. At one o'clock a Mexican volunteered to go down into the cellar to investigate. He had taken a few steps on the stairs, when he saw some one coming up. The Mexican fired without a word, and the man fell dead. He proved to be one of the masons who built the vault, a man of property and good reputation. His confederates escaped. The tunnel gave evidence of long and patient work on the part of the robbers. It was sixty feet in length, constructed on scientific principles, containing provisions, water, and a full outfit of mining tools, and must have been three months in construction. The robbery was evidently planned for the time of the month in which the bank always receives large remittances of currency and coin for monthly payments of the railroads of that vicinity.

**CRIMES AND PROSECUTIONS.**—John Hunt was tried at Deadwood, Dakota, on September 1, convicted of forgery in the second degree, and sentenced to ten years' hard labor—the full extent of the law—in the Territorial Prison. Hunt obtained credit at the First National Bank of Deadwood by a certificate of deposit of \$4,000 from a Milwaukee bank. On this he received \$2,500 and a certificate of deposit for \$1,500 and a letter of introduction to a bank at Pierre, Dakota, leaving with the bank a small tin box for safe keeping. Soon thereafter he returned to the First National Bank, called for the box, and took out a draft of the Market Bank, Detroit, for \$9,500. Representing that he was purchasing some mining property, he indorsed it, drew \$6,000 cash, and took a certificate of deposit for the remainder. The draft proved to be forged. The following morning he departed for Pierre, where he was arrested on a telegram. The tin box, which was examined, contained only envelopes and brown paper. Hunt is a young man of flashy appearance, and is under an assumed name.

Benjamin T. O. Hubbard, Cashier of the First National bank of Monmouth, Ill., was arraigned on September 20th before the United States Commissioner in Chicago, on the charge of embezzling \$106,000 of the bank's funds. It is alleged that he drew two bills of exchange for the amount stated without the authority or knowledge of the directors. He waived an examination, and gave bail in the sum of \$10,000.

**THE PACIFIC NATIONAL BANK.**—A decision was rendered on September 3d, at Boston, by Judges Gray and Nelson, in the case of the Pacific National Bank *vs.* Lewis Coleman, ex-President of the bank, and other directors. This was a bill in equity in which the plaintiff, as receiver of the bank, sought to hold the directors responsible for losses sustained by the bank and its depositors, amounting to \$1,500,000, through the gross negligence of the directors in the performance of their duties. Demurrers were filed by the directors for "multifariousness and uncertainty" in the bill, and the demurrers were sustained with costs. The plaintiff is allowed one month in which to amend the bill; and if the same is not done in that time the suit is to be dismissed.

**DEFECTIVE BOOKKEEPING.**—A Philadelphia man of forty years' experience in bookkeeping ascribes many cases of trouble in commercial houses to the fact that not one in twenty of our leading business men is competent to supervise his bookkeeper, understand his accounts and his method of keeping the books. Another reason why the affairs of so many establishments get into confusion is, that young and inexperienced bookkeepers are employed, at eight and ten dollars a week, for whom the door is opened by stress of poverty to the temptation of fraud, false entries and speculation.

**THE WALL STREET BANK.**—Mr. Charles J. Osborne was appointed receiver of the Wall Street Bank on September 2d. The court also ordered the receiver to pay out of the cash on hand a sixty-five per cent. dividend to the depositors.

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### OBITUARY.

**THE HON. CHARLES J. FOLGER**, Secretary of the Treasury, died on September 4th, at his home in Geneva, N. Y. Mr. Folger was born in Nantucket, April 16, 1818. He graduated from Hobart College in 1836, studied law at Canandaigua, and was admitted to the bar in 1839. In 1844 he was appointed Judge of the Common Pleas Court for Ontario County, but in 1845 resigned and resumed the practice of his profession. In 1851 he was elected County Judge, and in 1861 was elected to the State Senate. His career as a legislator was marked by high ability and rigid integrity. In 1869 he resigned his position as Senator, and took charge of the Sub-Treasury in this city under appointment of President Grant. He held this responsible post until 1870. He was then elected Associate Judge of the Court of Appeals, and in 1880 was elected Chief Justice, succeeding Chief Justice

Church. In October, 1881, President Arthur nominated Judge Folger for Secretary of the Treasury. The nomination was promptly confirmed and he assumed the duties of that office on November 14. Mr. Folger carried into his work in this position the thorough and painstaking industry which had won success in his own profession. But the unremitting attention to its details preyed upon his health, and his death was unmistakably hastened by overwork. As a faithful and devoted servant of his country's interest, his memory well deserves to be held in high honor.

JOHN W. GARRETT, President of the Baltimore and Ohio Railroad, died at Deer Park, Md., on September 26th, after an illness of some weeks. Mr. Garrett was born in Baltimore, July 31, 1820, educated at Lafayette College, Pennsylvania, and at the age of nineteen entered the office of his father, Robert Garrett, a wealthy merchant of Baltimore. The business of the house greatly expanded, and it became the American branch of Peabody & Co., of London, besides representing other important English firms. Up to 1856, the Baltimore & Ohio Railroad had not been prosperous. In 1857, Mr. Garrett attended a meeting of the stockholders, and expressed himself as to the condition of the road with an impressive sagacity which led to resolutions incorporating his views, substantially comprehending that policy which has made the road so successful, and still obtains in its management. Mr. Garrett became a director of the Baltimore & Ohio Railroad in October, 1857, and was elected to its presidency in 1858. In the spring of 1859 the stockholders were paid a semi-annual dividend for the first time. Financial prosperity followed Mr. Garrett's presidency from then to the present time. He was also president of the Baltimore & Ohio Telegraph Co. and was a liberal benefactor of his native city. After he became president and gave his time so largely to the duties of his office, the directors, by unanimous vote, increased his salary from \$4,000 to \$10,000 per year. This increase Mr. Garrett declined. He repeatedly declined to accept the offers of the presidencies of other railroads, though accompanied in one case by an offer of a salary of \$30,000, and in another by a proposal to give him \$50,000 a year. Mr. Garrett was also the head of the banking house of Robert Garrett & Sons. He was a well-read and cultivated gentleman, possessed literary ability, and was interested in humanitarian pursuits. He entertained hospitably, and in social life was greatly esteemed. Two years ago, through his continuous labors, Mr. Garrett's health failed, but he did not withdraw from active participation in the management of the road until about a year ago. The loss sustained by the Baltimore & Ohio road, as well as by the city of Baltimore, where he was always in the front rank of enterprise and charity, is incalculable.

CHARLES TILDEN, President of the Bank of Louisville, Ky., whose death on August 10 was announced in our last number, was born in Kent County, Maryland, November 12, 1810. He went to school only six months during his life, and at the age of fourteen began his business career in a country store, afterwards engaging as a clerk in Baltimore. Soon tiring of this, he removed to Louisville, and took a position as bookkeeper in a commission house, of which he became afterwards a partner. About the year 1850 he retired from the commission business, and entered the Bank of Louisville as bookkeeper, which position he held for several years. Upon the death of Cashier Thurston, Mr. Tilden was made Cashier, which office he held some twelve years. The ill health of the president, Mr. J. B. Bowles, led to his resignation, when Mr. Tilden succeeded him in that position, and for the last fifteen years filled it with honor to himself and satisfaction to all concerned. Both as to age and service, Mr. Tilden was the oldest bank officer in Louisville. He was president of the Louisville Clearing-house Association, Past Grand Master of the masonic body in the State of Kentucky, and held several other offices of trust and honor. In appearance, Mr. Tilden was commanding, yet easily approached, of fine conversational powers, and an authority on all banking subjects. His illness was of but a few minutes' duration.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from September No. page 232.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
COL.....	Boulder.....	Boulder National Bank...	.....
	\$ 50,000	H. N. Bradley, <i>Pr.</i>	Chas. L. Spencer, <i>Cas.</i>
DAK....	Andover.....	Bank of Andover.....	Fourth National Bank.
		Frank D. Adams, <i>Pr.</i>	Thos. M. Loomis, <i>Cas.</i>
"	.. Blunt.....	Citizens' Bank.....	.....
	\$ 25,000	Robert W. Beebe, <i>Pr.</i>	E. C. Harris, <i>Cas.</i>
"	.. Dell Rapids....	People's Bank (John A. Cooley).	National Park Bank.
ILL....	Murphysboro...	Jackson Co. Bank (Lucier, Desberger & Co.)	Imp. & Traders' National Bank.
"	.. Peoria.....	Merchants' Nat'l Bank... Merchants' Exchange Nat'l Bank.	.....
	\$ 200,000	H. N. Wheeler, <i>Pr.</i>	John B. Smith, <i>Cas.</i>
IND ....	Attica.....	Farm. & Merchants' B'k..	Third National Bank.
	\$ 32,500	J. S. Nave, <i>Pr.</i>	H. J. Greene, <i>Cas.</i>
IOWA ..	Danbury.....	Bank of Danbury (E. D. & D. D. Dorn).	Gilman, Son & Co.
"	.. Fontanelle.....	Exch. B'k, Daniel Heaton, <i>Pr.</i>	Alex. M. Gow, <i>Cas.</i>
"	.. Iowa Falls....	First National Bank.....	Imp. & Traders' National Bank.
	\$ 50,000	John H. Carleton, <i>Pr.</i>	W. H. Woods, <i>Cas.</i>
"	.. Ogden.....	City Bank.....	.....
	\$ 50,000	W. Farley, <i>Pr.</i>	F. Lorenzen, <i>Cas.</i>
"	.. Renwick.....	Bank of Renwick (Funk, Smith & Co.)	.....
KAN....	Colony.....	Bank of Colony.....	.....
	\$ 10,000	J. S. Hawes, <i>Pr.</i>	C. Kramer, <i>Cas.</i>
"	.. Ellsworth.....	First National Bank.....	Chemical National Bank.
	\$ 50,000	Ira W. Phelps, <i>Pr.</i>	W. F. Tompkins, <i>Cas.</i>
"	.. Kansas City....	Savings B'k of Kansas....	Kountze Bros.
	\$ 50,000	D. E. Cornell, <i>Pr.</i>	R. W. Hilliker, <i>Cas.</i>
"	.. Medicine Lodge	First National Bank.....	First National Bank.
	\$ 50,000	Jas. A. Blair, <i>Pr.</i>	O. C. Ewart, <i>Cas.</i>
"	.. Pittsburg.....	People's State Bank.....	.....
"	.. Seneca.....	State Savings Bank.....	Hanover National Bank.
	\$ 50,000	J. E. Taylor, <i>Pr.</i>	Geo. E. Black, <i>Cas.</i>
MAINE..	Hallowell.....	Hallowell National Bank.	.....
	\$ 50,000	John Graves, <i>Pr.</i>	A. D. Knight, <i>Cas.</i>
MD....	Salisbury.....	Salisbury Nat'l Bank.....	.....
	\$ 50,000	E. E. Jackson, <i>Pr.</i>	John H. White, <i>Cas.</i>
MICH...	Charlevoix....	Charlevoix Savings B'k...	National Park Bank.
	\$ 25,000	Henry Bennett, <i>Pr.</i>	G. S. Thomas, <i>Cas.</i>
"	.. Concord.....	First National Bank.....	Chase National Bank.
	\$ 50,000	Wm. D. Chapple, <i>Pr.</i>	P. E. Chapple, <i>Cas.</i>
"	.. Greenville....	City National Bank.....	First National Bank.
	\$ 50,000	Wm. D. Johnson, <i>Pr.</i>	Le Roy Moore, <i>Cas.</i>
MINN..	Ada.....	International Bank.....	Chase National Bank.
"	.. Pipestone .....	Bank of So. Western Minn. (Stoner & Mylius).	First. N. B.
"	.. Slayton.....	State Bank.....	Chemical National Bank.
	\$ 27,500	J. K. T. Thompson, <i>Pr.</i>	C. E. Dinehart, <i>Cas.</i>
"	.. Warren.....	B'k of Warren (Green & Lamberson).	Chase Nat'l B'k.
NEB... Alma.....	Valley Bank of Alma.....	H. L. Briggs, <i>Cas.</i>	
"	.. Stromsburg....	Park B'k (Lewis Haskell).	Chemical National Bank.
N. Y....	Salem.....	People's National Bank..	.....
	\$ 50,000	L. Fraser, <i>Pr.</i>	R. M. Stevenson, <i>Cas.</i>
"	.. Sandy Hill....	People's National Bank...	.....
	\$ 50,000	U. G. Paris, <i>Pr.</i>	.....
OHIO... Harrison.....	Bank of Harrison.....	Chase National Bank.	
		Chas. E. Cook, <i>Pr.</i>	C. B. Scoville, <i>Cas.</i>

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
OHIO...	Hicksville.....	Merch. & Farmers' Bank. \$15,000 Jas. Casebeer, Pr.	First National Bank. F. N. Horton, Cas.
TEX....	Albany.....	First National Bank..... \$50,000 Geo. T. Reynolds, Pr.	N. L. Bartholomew, Cas.
CANADA	Portage la Prair	Alloway & Champion....	Merchants' Bank of Canada.

## CHANGES, DISSOLUTIONS, ETC.

(Monthly List, continued from September No., page 233.)

N. Y. CITY.....	Collins, Bouden & Jenkins; now Bouden & Jenkins.
" " .....	Earl & Dayton; now W. M. Earl.
" " .....	Van Schaick & Co.; now Fisher & Van Schaick.
DAK....	Dell Rapids.... Cooley & Co.; now People's Bank; John A. Cooley, propr.
" " .....	Lakota..... Nelson Co. Bank; sold out to Kane, Martin & Northcote.
ILL....	Murphysboro... Miners' Savgs. Bank; succeeded by Jackson County Bank.
" " .....	Peoria..... Mechanics' National Bank; now Merchants National Bank.
" " .....	Rockford..... N. C. Thompson; suspended September 15
IND ....	Attica..... First Nat'l Bank; succeeded by Farm. & Merchants' Bank.
" " .....	Ligonier..... Citizens' Bank (Straus Bros.); now Straus & Co. props.
IOWA... Iowa Falls....	Commercial Bank; now First National Bank.
" " .....	Templeton.... Templeton Bank; succeeded by Bank of Templeton.
KAN....	Ellsworth..... The Powers Bank; now First National Bank.
" " .....	Howard..... Howard Bank; now First National Bank.
" " .....	Humboldt..... Humboldt Bank (Dayton, Barber & Co.); now E.A. Barber & Co. proprietors.
" " .....	Medicine Lodge Medicine Valley Bank; now First National Bank.
MAINE.. Hallowell.....	American National Bank; now Hallowell National Bank.
MICH... Charlevoix....	Merch. & Farmers' B'k; succeeded by Charlevoix Savgs. B'k.
" " .....	B'k of Charlevoix (Reynolds & Brown); now Brown & Co. proprietors.
" " .....	Kalkaska..... Wylie, Curtis & Co.; now A. A. Bleazby.
MISS... Jackson.....	Green's B'k; resumed business Sept. 15, with same owners.
MO....	Richmond..... Ray Co. Savings Bank; suspended September 4,
NEB....	Alma..... Bradford & Burr; now Valley Bank of Alma.
" " .....	Humboldt..... Humboldt Bank; now First National Bank.
" " .....	Nebraska City.. Farm. & Traders' B'k; succeeded by James Sweet Bkg. Co.
N. J....	New Brunswick. Nat'l Bank of New Jersey; resumed business September 25.
N. Y....	Fort Edward... State Bank; closed September 9.
" " .....	Waterford..... Saratoga Co. Bank; closing up business.
OHIO... Hudson.....	C. W. Farrar; reported failed.
" " .....	Plain City..... Exchange Bank; closed.
" " .....	West Liberty... Logan National Bank; suspended September 22.
" " .....	Zanesville..... C. C. Russell & Co; succeeded by J. W. King & Co.
PENN... Everett.....	Bedford Co. Bank; suspended September 15.
" " .....	Oil City..... Reynolds, Lamberton & Co.; now Lamberton Bank.
" " .....	St. Petersburg.. St. Petersburg Savgs. B'k; resumed business Sept. 10.
TENN... Fayetteville....	Lincoln Savings Bank; suspended September 8.
" " .....	Lebanon..... people's Bank; merged into second National Bank.
TEX....	Albany..... Albany Bank; now First National Bank.
" " .....	Dublin..... J. D. Berry & Co.; moved business to Cisco.
WAS. T. Ellensburg...	First National Bank; in voluntary liquidation August 9.
CANADA Arthur .....	Hanns & Co.; closing out business.
" " .....	Watford..... Thos. Fawcett; failed September 24. All his branches throughout Canada are affected.
MANI... Portage la Prair	Ontario Bank; now Alloway & Champion.

## CHANGES OF PRESIDENT AND CASHIER

*(Monthly List, continued from September No., page 234.)*

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
ARK....	Crawford Co. B'k, Van Buren...	S. A. Pernot, <i>Cas.</i> .....	O. A. Vickery.
CONN....	First National Bank, Suffield...	H. A. Sheldon, <i>V. Pr.</i> ....	.....
DAK....	Stebbins, Mund & Fox, Central City.	F. M. Clary, <i>Cas.</i> .....	L. Zahm.
	First Nat'l Bank, Rapid City...	Wm. Hecht, <i>V. Pr.</i> .....	.....
IND....	First Nat'l Bank, Elkhart.....	J. A. Cook, <i>Cas.</i> .....	J. Cook.
	First National Bank, Vevay.....	J. B. Tandy, <i>V. Pr.</i> .....	.....
IOWA...	First National Bank, Perry.....	A. W. Otis, <i>V. Pr.</i> .....	J. J. Town.
	Traders' Bank, Vail.....	A. Trinkle, <i>Pr.</i> .....	J. M. Maynard.
KAN....	First National Bank, Clay Centre.	D. H. Myers, <i>Pr.</i> .....	H. H. Taylor.
	Bank of Downs, Downs.....	J. P. Campbell, <i>V. Pr.</i> ...	F. A. Head.
	First National Bank, Ellsworth.	E. E. Parker, <i>Pr.</i> .....	H. P. Churchill.
	Bank of Osage Mission.....	W. Mellen, <i>Sec.</i> .....	J. W. Haff.
		M. Gray, <i>V. Pr.</i> .....	.....
		Jos. L. Powers, <i>Ass't C.</i> ...	.....
		Wm. May, <i>Pr.</i> .....	F. W. Simmons.
KY.....	Louisville Banking Co, Louisville.	J. E. Sutcliffe, <i>Cas.</i> .....	W. J. Duncan.
	First Nat'l Bank, Owenton.....	Attella Cox, <i>Cas.</i> .....	N. H. Witherspoon.
LA.....	Whitney N. B., New Orleans..	P. White, <i>V. Pr.</i> .....	.....
MAINE..	Nat'l Village B'k, Bowdoinham.	H. P. Kendall, <i>Cas.</i> .....	H. Q. Sampson.*
MASS...	Nat'l Exchange B'k, Boston....	John J. Eddy, <i>Cas.</i> .....	J. S. Learoyd.
	Cambridgeport N.B., Camb....	W. F. Roaf, <i>Cas.</i> .....	S. B. Snow.
	Townsend Nat'l B'k, Townsend.	Hy. A. Hill, <i>Cas.</i> .....	J. E. Ordway.
	Worcester N. B., Worcester....	S. Salisbury, <i>Pr.</i> .....	S. Salisbury.*
MICH...	First Nat'l Bank, Cheboygan...	Wm. McArthur, <i>V. Pr.</i> ...	.....
	City Nat'l Bank, Greenville....	H. N. Anderson, <i>V. Pr.</i> ...	.....
MINN...	First National Bank, Wabasha.	M. E. Drury, <i>Pr.</i> .....	Lucas Kuhn.
	Kandiyohi Co. B'k, Willmar..	L. Whitmore, <i>Ass't Cas.</i> ...	.....
		Andrew Larson, <i>Pr.</i> .....	J. M. Spicer.
NEB....	National Bank of Ashland.....	O. M. Carier, <i>Pr.</i> .....	John R. Clark.
	First Nat'l Bank, Fairmont....	John H. Welch, <i>V. Pr.</i> ...	.....
	First National Bank, Hastings.	E. A. Boalich, <i>Ass't Cas.</i> ...	W. N. Clark.
	Nat'l B'k, Humboldt.....	J. J. Morris, <i>V. Pr.</i> .....	.....
	Schuyler Nat'l Bank, Schuyler.	W. H. Sumner, <i>Cas.</i> .....	T. B. Crewitt.
	First National Bank, Sutton...	I. N. Clark, <i>V. Pr.</i> .....	.....
	York National Bank, York....	J. C. Kingsley, <i>V. Pr.</i> ...	.....
		I. C. Post, <i>Ass't Cas.</i> ...	.....
N. J....	Nat'l Bank of New Jersey....	Lewis T. Howell, <i>Pr.</i> .....	Mahlon Runyon.*
	New Brunswick.	E. S. Campbell, <i>Cas.</i> .....	Chas. S. Hill.*
N. MEX.	Meredith & Ailman, Silver City.	R. B. Washington, <i>Cas.</i> ...	J. H. Smith.
N. Y....	State Bank, Bolivar.....	J. M. Curtis, <i>Pr.</i> .....	R. F. Bockman.
	People's Nat'l B'k, Greenport..	F. L. Hawton, <i>Cas.</i> .....	J. F. Thompson.
		Thos. F. Price, <i>V. Pr.</i> ....	.....
	City Nat'l B'k, Poughkeepsie.	Hudson Taylor, <i>Pr.</i> .....	A. Innis.
		Ezra White, <i>V. Pr.</i> .....	H. Taylor.
		H. L. Taylor, <i>Act. Cas.</i> ...	A. H. Champlin.
	Pulaski Nat'l B'k, Pulaski....	Jas. A. Clark, <i>Pr.</i> .....	C. A. Clark.
		L. J. Clark, <i>Cas.</i> .....	J. A. Clark.
		E. L. Clark, <i>Ass't Cas.</i> ...	L. J. Clark.
OHIO...	First National Bank, Ironton...	E. B. Willard, <i>V. Pr.</i> ...	J. H. Campbell.
	Milford Nat'l Bank, Milford....	Wm. Rondebush, <i>V. Pr.</i> ...	.....

\* Deceased.



	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place</i>
PENN...	Commercial Nat'l B'k, Phila...	Geo. L. Knowles, <i>Pr</i> ....	Jas. L. Claghorn.*
"	" Farm. & Mech. N.B., Phila....	S. W. Bell, <i>Pr</i> .....	E. M. Lewis.*
"	" Girard National Bank, Phila....	John G. Whiteman, <i>Cas.</i>	W. L. Schaffer.
"	" Pittsburgh National Bank of Commerce, Pittsburgh. }	Jos. T. Colvin, <i>Pr</i> .....	J. H. Hill.*
R. I....	Nat'l Landholders' B., Kingston	M. F. Perry, <i>Act. Cas.</i> ....	Thos. P. Wells.*
TENN...	Farm. & Mer. N.B., Clarksville.	J. H. Smith, <i>V. Pr</i> .....	.....
"	" Second Nat'l B'k, Lebanon....	R. W. Miller, <i>Ass't Cas.</i>	W. H. Brown.
TEX....	First National Bank, Abilene..	E. H. Sintenis, <i>Ass't C.</i>	.....
"	" First Nat'l Bank, Greenville....	J. L. Lovejoy, <i>Pr</i> .....	J. D. Lasater.
W. VA..	Charleston N. B., Charleston..	W. Hogeman, <i>V. Pr</i> ....	.....
CANADA	Merch. B. of Can., Owen Sound.	A. St. L. Mackintosh, <i>M.</i>	J. G. FitzGibbons.
"	" " " " " Quebec.....	W. L. Marler, <i>Mgr</i> .....	H. M. Price.
"	" " " " " St. Johns....	E. H. Heward, <i>Mgr</i> .....	W. L. Marler.
"	" " " " " Sherbrooke..	J. A. Ready, <i>Mgr</i> .....	A. C. E. Delmege.
"	" " " " " Walkerton..	J. C. Patterson, <i>Mgr</i> ....	A. St. L. Mackintosh.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from September No., page 234.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3243	City National Bank..... Greenville, MICH.	W. D. Johnson,	Le Roy Moore,	\$50,000
3244	People's National Bank..... Sandy Hill, N. Y.	U. G. Paris,	.....	50,000
3245	People's National Bank..... Salem, N. Y.	L. Fraser,	R. M. Stevenson,	50,000
3246	Boulder National Bank..... Boulder, COL.	Herbert N. Bradley,	Chas. L. Spencer,	50,000
3247	Hallowell National Bank..... Hallowell, MAINE.	John Graves,	A. D. Knight,	50,000
3248	First National Bank..... Albany, TEX.	Geo. T. Reynolds,	N. L. Bartholomew,	50,000
3249	First National Bank..... Ellsworth, KAN.	Ira W. Phelps,	W. F. Tompkins,	50,000
3250	Salisbury National Bank..... Salisbury, MD.	E. E. Jackson,	John H. White,	50,000
3251	First National Bank..... Concord, MICH.	Wm. D. Chapple,	P. E. Chapple,	50,000
3252	First National Bank..... Iowa Falls, IOWA.	John H. Carleton,	W. H. Woods,	50,000
3253	First National Bank..... Medicine Lodge, KAN.	Jas. A. Blair,	O. C. Ewart,	50,000
3254	Merchants' National Bank.. .... Peoria, ILL.	H. N. Wheeler,	John B. Smith,	200,000

**"Practical Banking."**—The new work under this title, which has been announced as shortly to be issued, is now near its completion. The time and labor involved in its preparation have exceeded our expectations. Some of the departments have been largely expanded, that of Bank Bookkeeping particularly. The book is thorough and comprehensive in its treatment of the subjects presented, and those who have been awaiting its appearance will find the delay incurred to be justified by its results. We hope to be ready to fill all orders by October 15th.

HOMANS PUBLISHING COMPANY.



## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of September has been disappointing to all departments of business. The prime cause has been, of course, continued depression. But that being the chronic state of trade, was expected, although some mitigation and relief were hoped for. The reason this was not experienced was the unseasonably hot weather during nearly the entire month, and continued up to its very close. There has not been so bad a season for business in years as this. The summer was as cool as an autumn, excepting a few warm days at each end, while the first month of autumn has been hotter than the average summer. Demand for seasonable goods has therefore been curtailed for three months past by this very unseasonable weather. At the close, however, the heat moderated, and trade began to revive quite rapidly. Although business that has been lost is never recovered, there is good prospect for the balance of this year, of activity in several branches and improvement in all. Most of the speculative markets have been influenced by these prospects during the past month, and have improved in anticipation thereof. This has been true of those which were, on their own merits, based upon the estimated value of the new crops. Outside of this there has been more manipulation and cornering going on than in months past. Of course this has caused much higher prices for the small balance of the old crops that have been the subjects of these manipulations. But the advance has done no good to anyone outside a few gamblers, who held this small balance, and had the public short in anticipating large new crops before they were available. This has applied chiefly to corn and hog products, extending in a greater or less degree through the whole list of the latter. This manipulation has also extended to the stock market where the shorts have been squeezed on a few stocks under the control of cliques. But this has not been the rule, the opposite being generally true. The stock boom of August was based on the big wheat and other crops. All were secured but corn. During September that, also, was secured, and yet the prices of stocks went down, because the earnings of the railroads kept falling off by reason both of light traffic and low rates of freight, caused by the unexpected lack of export demand for our big crops, followed by a railroad war in the attempt to get the little business that was doing. For years past August and September have been two of the best months of the year for railroads, because, with a good export demand, there was an early and large movement of the crops to the seaboard, and employment for the full capacity of all the roads at full rates. This year these two months were lost, especially to the trunk lines, while the Granger roads have suffered by the farmers holding back on account of low prices, although in a less degree. As a consequence, their stocks have suffered most in the recent decline, led by the New York Central and St. Paul, excepting the coal stocks, which were still weaker, in anticipation of a further and larger suspension of mining, because of the glut in the coal market. This, of course, meant reduced

tonnage of coal, as well as iron, for the coal stocks, and insiders were credited with heavy selling, led by the Astor family. Lackawanna was rather an exception, as its stock is well in hand by the dry-goods clique, who milk the market on the shorts, who will play in this dangerous pasture where they are liable to be caught at any time. The sensations in the stock market, however, have not been important. The issue of the New York Central's long-talked-of and much-denied new \$10,000,000 loan has been made, and taken by Mr. Vanderbilt and the house of Drexel, Morgan & Co., at a price only known to them. This was to take up a \$5,000,000 floating debt and provide against another. Attention has been called to the condition of New York Central before, and its bad position pointed out. This loan is the result of the causes at work to undermine this road. Formerly it had a monopoly of the best local traffic of the trunk lines, in this State, and when through business did not pay, or lost money, it was offset or made up by extreme rates on this local traffic. As through business generally does not pay, this local traffic was the chief, and often only, source of the Central's income. Since the completion of the West Shore this local business has been practically divided in halves, and the rates also halved, leaving the Central with its four-track road, and not enough for two tracks to do. It is, therefore impossible for it to compete with the bankrupt roads on both local and through traffic and earn dividends, when they are bound to have the business, if only to earn the interest on their bonded debt. In this view it may be expected that Vanderbilt will take Central's bonds to keep it going, and sell its stock. In case, then, it should ever go into bankruptcy also, he would be able to control it still, and earn interest on his bonds, no matter what becomes of its stock. The other Vanderbilt roads are not in so bad position, although badly paralleled, and business cut up between too many trunk lines.

In some of the Granger stocks, especially St. Paul, a process similar to that in the Central is going on, increasing the bonded debt steadily, while Alexander Mitchell, its President, has been credited with being a heavy seller of its stock during the month. This has been denied, as was the issue of the Central bonds, and is as likely to prove true, for denials are seldom made, in Wall Street, of reports that are untrue.

This is about all that can be said of interest in the stock market, except that it is still a professional's market, as the public continue to let it generally alone, as well they may. Money is easy to those who don't want it, and very tight to those who do. That is, on ample and first-class collateral a man can borrow all he wants at his own terms, as he always can; but the tradesman who wants money cannot get much, except on the above conditions. The banks will take business paper to a limited extent, but refuse accommodation paper. As this, or renewals of old paper, is all some have to offer, it makes money practically very tight, though nominally very easy. This is due to a plethora in consequence of the crops not moving freely out of farmers' hands. Cotton is perhaps an exception, as that is moving quite freely, and a good deal of money is going South. The movement of the great cereal crops, however, is unusually light, as there is little old-crop corn back in the country, and the new is not harvested. When this is in, no doubt more business will be doing by the banks, railroads and commission men, as stocks all over are depleted by the high prices and the corner in Chicago. Replenishing must be

done as soon as the new crop is available, unless the New England and other uncornered markets have been filled up by consignments from the Chicago clique, to make it impossible for the shorts to make their deliveries in that market. The new crop is estimated generally at two thousand million bushels, which is the largest ever raised, and it is all secured, from the Gulf of Mexico to Canada, in fine condition, without frost, while the late drought came too late to injure, and actually helped it to mature in the best shape for years. There is no poor grain this year, barring oats in a few localities and a small part of the spring wheat. The root and vegetable crops are nearly all equally fine, and if we have hard times we have abundant and cheap food for man and feed for beast. Indeed, it is not one year in ten that crops are so unusually good the world over. Bad as this crop-year has been for business, and unseasonable as the summer and fall months have been thus far, they have been all that could be desired for the crops; and, after all, that is the great thing in an agricultural country like ours. Business may be bad, but with good crops the country will work out of this slough of despond. Bad crops would have sunk it deeper into the mire of depression.

With the agricultural world prosperous, the commercial world will find employment for capital, transportation companies, warehouses and labor, sooner or later, even if exporters are not taking our crops freely now. These crops are better than plenty of money lying idle, for they are real wealth, and will all be wanted. There never was a crop so large that it was not used. Hence, we now seem to have escaped all danger of a further panic in commercial or financial affairs, although prices may go still lower. But in the end they will do better, and then the country will start off again on the high road to prosperity, as the markets are all in healthy and normal condition, barring those named as manipulated, while stocks are not large, but demand is as yet small. This will soon increase, for we have the real wealth in our crops to buy with, no matter whether held till Europe wants them or converted into cash. If held, the country can bank on wheat, corn, cotton, provisions and other crops, and when sold reinvest it in something else. When that comes, prices of everything will improve, and our manufacturing interests will then enter upon their new period of prosperity. In the meantime the industrial world is the dark spot on the business sky. Curtailed production is still the rule in all industries, and labor is still poorly paid or unemployed. This may last through the coming winter, in which case there will be much hardship and suffering on the part of labor, while manufacturing capital may still further shrink. But it looks as though we had also seen the worst of this industrial depression, and that before another month is gone there may be a substantial and visible improvement in some branches of manufacture if not all.

Woolen goods are meeting with good demand for fall and winter trade. Iron manufacturers are looking better in demand, while steel rails have actually advanced \$1.50 per ton in the last week of the month on reduced stocks and better demand.

Cotton manufacturers are still idle, and the market for goods weak, and the coal trade is depressed, though better than a month ago, as fall trade is approaching. But iron is the great commercial barometer, if not king, of

this country, and when that interest begins to improve it will not be long before others will follow. Indeed, while not yet developed, it does look as if we had seen the worst of this liquidation, and as if we will soon begin to build up again what has been torn down in the past two years. This is only a question of time, and the conditions named favor this year as that time.

The only interest that has not liquidated is real estate, which is proverbially the last in panics. Yet it is equally true that when that comes, it is because people can employ their money better in other business, and hence they take it out of real estate. We shall see this soon. On the whole, therefore, notwithstanding the disappointing September, the outlook is improved, and improving every day. October and November ought to be good months.

Of the manipulated markets, corn has been the worst, and on the last day of the month the September option was bid up to \$1.00 in Chicago by the conscienceless gamblers who are running the deal, and threaten to carry it into October and possibly into November. The Directors of the Chicago Board of Trade stamped the corner as one of the worst gambles on record by fixing the marginal price at 55c., which was its true commercial value. Yet under the rules of that board these manipulators were permitted to force the shorts to pay \$1.00, or actually 100 per cent. more than some had sold it at. A man from Oshkosh and the officers of some of the chief corn railroads coming into Chicago, are credited with this corner, aided, some allege, by a large commission house. These reports have been publicly made and remain undenied. No common carrier can thus be permitted to violate its charter in the interest of gamblers, without imperilling all our commercial interests and injuring stockholders. If this charge is true, therefore, neither the Chicago Board of Trade nor the stockholders of that road can afford to let this matter pass without bringing the guilty officials to justice, or exonerating them from the charge by an impartial investigation. As a result on the corn market, this deal has already killed the trade in that staple for all purposes. Should it be carried into October and November it would entail a loss of millions upon the country. There is also a Short Rib Deal threatened, and talk of a corner in lard in the Chicago market.

The reports of the New York Clearing-houses returns compare as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
Sept. 6.	\$ 289,347,300	\$ 75,706,000	\$ 29,963,800	\$ 304,563,600	\$ 14,275,100	\$ 29,528,900
" 13...	290,874,100	74,100,100	30,094,100	303,599,300	14,185,300	28,894,375
" 20...	291,257,400	74,534,800	30,043,500	305,734,400	14,135,500	28,144,700
" 27...	291,126,700	73,826,500	30,395,800	305,146,300	14,137,400	27,935,725

The Boston bank statement is as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Aug. 30	\$ 137,928,800	\$ 6,974,400	\$ 4,247,500	\$ 85,550,800	\$ 23,004,100
Sept. 6	138,715,400	7,150,900	4,595,900	86,123,000	23,217,700
" 13	139,473,900	7,005,300	4,680,100	87,644,000	23,481,400
" 20	139,795,400	7,201,200	4,738,400	88,573,300	23,505,900

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1884.	Loans.	Reserves.	Deposits.	Circulation.
Sept. 6	\$ 72,904,320	\$ 21,368,812	\$ 67,652,176	\$ 8,111,615
" 13	72,923,373	21,848,821	67,915,898	8,058,439
" 20	73,354,035	21,138,280	67,582,191	8,079,509
" 27	73,451,386	20,953,783	67,543,138	7,575,739

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows :

QUOTATIONS :	Sept. 7.	Sept. 8.	Sept. 15.	Sept. 22.	Sept. 29.
Discounts.....	5½@6 ..	5½@6 ..	5½@6 ..	5½@6 ..	5½@6 ..
Call Loans.....	2 @1½ ..	3 @2 ..	2 @1½ ..	1½@1½ ..	1½@2 ..
Treasury balances, coin.	\$127,453,079 ..	\$129,047,594 ..	\$130,094,736 ..	\$131,649,781 ..	\$132,126,390 ..
Do. do. cur.	\$12,643,333 ..	\$11,414,513 ..	\$10,117,001 ..	\$10,426,911 ..	\$9,307,866 ..

Single named paper is refused, unless known to be given for Merchandise.

Sterling exchange has ranged during September at from 4.84@4.85¼ for bankers' sight, and 4.82@4.83¼ for 60 days. Paris—France, 519¾@518¾ for sight, and 521¾@521¼ for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, 4.82@4.82½; bankers' sterling, sight, 4.84@4.84½. Cable transfers, 4.84½@4.85. Paris—Bankers', 60 days, 522½@521¾; sight, 520@519¾. Antwerp—Commercial, 60 days, 524¾@523¾. Reichmarks—(4), bankers' 60 days, 94¾@94½; sight, 95@95½; Guilders—bankers', 60 days, 40@40½; sight, 40¼@40¾.

## DEATHS.

ALLEN.—On August 24, aged seventy-six years, ALBERT G. ALLEN, formerly Cashier of the Second National Bank of New York and the City Bank, Brooklyn, N. Y.

BARTON.—On September 1, aged eighty years, WILLIAM BARTON, Vice-President of the Merchants' National Bank, New York City.

COLMAN.—On August 17, aged seventy-five years, TRUMAN R. COLMAN, President of the Lake Shore National Bank, Dunkirk, N. Y.

EMOTT.—On September 11, aged sixty-three years, JAMES EMOTT, President of the Merchants' National Bank, Poughkeepsie, N. Y.

GARRETT.—On September 26, aged sixty-five years, JOHN W. GARRETT, of the firm Robert Garrett & Sons, Baltimore, Md.

RUNYON.—On September 8, aged seventy-five years, MAHLON RUNYON, President of the National Bank of New Jersey, New Brunswick, N. J.

SAMPSON.—On September 14, aged sixty-four years, J. Q. SAMPSON, Cashier of the National Village Bank, Bowdoinham, Me.

SEALY.—On August 29, aged sixty-two years, JOHN SEALY, of the firm of Ball, Hutchins & Co., Galveston, Tex.

TRUITT.—On September 17, aged sixty-five years, HENRY TRUITT, of the firm of Truitt, Matthews & Co. Chillicothe, Ill.

WELLS.—On August 31, aged seventy-five years, THOMAS P. WELLS, Cashier of the National Landholders' Bank, Kingston, R. I.

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AND  
Statistical Register.

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No. 5.

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RAILROADS AND BUSINESS.

In our time every important business is linked with every other. The business world is like the human body; if one part suffers or perishes, suffering and destruction are sure to occur elsewhere. Formerly the case was otherwise. When countries existed in seclusion, it mattered little to them what happened outside. When China, for example, remained by herself, of what consequence was it to her what the United States or England did? or whether these countries were prosperous or the reverse? The prosperity of China was not affected in any event. But what a change has come over the face of the world. Even eastern countries are affected by the prosperity or the adversity of the countries in the west. If the United States passes under the shadow of adversity, immediately American purchases decline, and forthwith China feels the effect in the diminished demand for tea, silks and other articles of trade exported from that country. The whole world is affected in like manner. No country escapes.

The same is true with respect to the business within our country. If one great branch of industry passes under the shadow, another branch is affected, and another, and another, until the whole industrial body becomes diseased. Among these different branches the railroad interest is one of the most important. A prime element in production to-day, is the cost of transportation. Without our railroad system, the great plains of the West could never have been rapidly occupied for cultivation. The western pioneers would have crept along the rivers and lakes, but the immense tracts further inland would have remained unwearyed by the plow of the farmer.



But through the agency of the railroad enormous areas have been opened up, and land of far greater fertility than existed along the rivers and lakes has been occupied by the farmer. Compared with this mode of transportation, all our waterways sink into insignificance. Billions of money have been spent in establishing these lines and in bringing them to a high degree of perfection. Our railroad system, viewed as a whole, is one of the wonders of the modern world. It is so vast in extent, has been built so quickly, such wondrous feats of engineering have been accomplished, that we regard with just pride and delight a system which has wrought such splendid results. Nevertheless, many evils have arisen. Evil is mixed with good in everything in this world. Now the railroad system has become diseased, and badly so, and this communicated itself first to one branch of industry and then to another, until the entire industrial body has become diseased, and while recovery is sure, it may be farther off than many like to believe.

Why did this system become deranged? A good many causes may be assigned. First of all, some lines were built too rapidly. That is, they were built before there was any real need for them. But why was this done? Simply because here and there men combined, and conceived the idea of building a railroad. They formed a company, and then a second one to construct the road. They then proceeded to get the money with which to carry on the work of construction. Whether the railroad was needed or not with many of these men was a very small matter. What they wanted was to make a fortune, and this they expected to make in constructing the railroad, not in operating it afterward. This is the story with regard to many of the recent enterprises. They have been built, not because they were needed, but because builders could make fortunes in constructing them; consequently we have in the country to-day a number of newly-built enterprises, which do not pay, and probably will not for many years to come. The capital is sunk for a time, if not for all time. Persons who paid it in cannot derive any benefit from this source, and therefore, have not the means wherewith to carry on business as they had before. Their money is tied up, so to speak, and economy is a necessity. They cannot spend what they do not have.

Right here it may be asked whether, even in these cases of non-paying railroads, the countries through which they run are not immensely benefited by their construction. It is true, of course, that the country thus opened up is enhanced in value. An outlet for produce of various kinds is very desirable. One class has lost and another has gained. If we had less territory capable of cultivation, and which was comparatively inaccessible, there would be a great deal of force in this remark. Even if one class did lose greatly by such an investment another class would be great gainers. But the

truth is, we have such a vast territory which is accessible at such small cost, that we are not justified in building many of the railroads existing for the purpose of opening up less accessible territory. The time will come when every foot of ground that can be cultivated will be needed, and when railroads to reach it in the most accessible manner will be required; but that time is not yet.

Many of these railroads, therefore, of more recent date are not needed, because there is so much country yet uncultivated, but capable of cultivation, lying near ways of transportation already completed.

But there is another difficulty with regard to these transportation companies. The managers, in too many cases, have abused the trust confided in them. They have not managed their roads with an eye single to the public and corporate good. Rather have they been intent on their personal gain at a loss to the public and to the corporation which they represented. They have accumulated enormous fortunes in a day. They have bought roads at low prices, paying little or nothing, and sold or leased them to their own concern at very different figures. They have formed construction companies and built new roads with the earnings and on the credit of those they managed. The papers have recently stated that the Missouri Pacific, for example, was the half owner and manager in the construction company that built the Texas Pacific, and that the work was done so poorly, it was found necessary within a few months after its completion to begin the work of reconstruction. It will not do to make too sweeping assertions and say that all railroad managers have been unfaithful and recreant to their trusts. This statement would be far from the truth; but so many of them are, that investors in railroad property have become scared, in many cases have sold out and are afraid to re-invest. All the roads, whether well managed or ill managed, have suffered from this increasing scare. Consequently the stock list to-day is ridiculously low with regard to the prices of stocks and securities of some roads, while the stocks and securities of others still quoted will be too high, so long as any quotations at all exist. Erie, for example, is utterly worthless, and has been for years, and, for aught we can see, is always likely to be so.

The building of roads not needed, and the bad management of many previously existing—these two causes have seriously operated to affect the value of railroads. Consequently the construction of railroads is going on more slowly, and the people are afraid to interest themselves as formerly in these enterprises. The result is, first of all, that the concerns supplying railroads suffer. They make less iron and railroad supplies of all kinds. Mills close, therefore, and their employees are out of work. They have less money with which to make purchases than formerly; consequently they buy fewer

goods, groceries, shoes, and supplies of all kinds. The disaster, therefore, spreads from the various concerns immediately supplying railroads, to the cotton, woolen and shoe factories. The farmer also feels the times. Men have less money wherewith to buy bread, and thus the depression becomes complete.

This is the condition of things to-day. How long will it last and what is the remedy? These are the questions which men are seriously asking. Yet a few are trying to believe that when the presidential elections are over business will revive. One man thinks that the election of Blaine will be his salvation. Another man is equally sure that if Cleveland is elected, he will be all right. Both, we greatly fear, are wrong. If our diagnosis of the cause of our troubles be correct, they surely are. It will be seen that no president, not even George Washington himself, can cure the malady from which we are suffering. A remedy deeper than that which any one man can prescribe is needful to restore the business health of the country. What then is needful? Some things are very clear. First of all, before railroad securities and stocks can improve much, people must have more confidence in railroad management. In order to have this, railroad managers must repent and reform, which is quite improbable; or successors must be chosen. People must believe that railroads will be managed with economy and due regard to the public and corporate interest before they make fresh investments. As for new enterprises, investors will be more cautious of those engaged in them, and consider with greater care the necessity for their construction. Furthermore the people must settle along the lines newly created to such an extent as to enable them to pay something. Then the holders of their stocks and bonds will have new capital to invest in other enterprises. But persons say, is there not a vast amount of uninvested money at the present time? Doubtless there is, and which will remain so, too, until people have more confidence in railroad management.

We have abundant crops this year, and these will be moved at some price. If our surplus of grain and provisions could be exported at a fair price, we should acquire new capital for enterprises of all kinds. It is an anxious question, however, whether all the surplus will be needed, and even if it is, whether much can be obtained for it beyond the price of producing it. This has been a good crop year all over the world, and there will be no lack of food in any quarter. It would seem pretty clear, therefore, that our exports must be sold at a low figure. Whether the result of exporting our surplus proves helpful to us in the way of restoring the prosperity, also depends in no small degree on the division of the sum received. If the transporting companies endeavor to make the hardest bargain possible and leave nothing

for the farmer, then, of course, he will be no richer than before, and will have nothing to invest or for continuing his improvements. If speculators control the exports, then it is possible that they may obtain such concessions from the railroads as to leave hardly any profit for transporting the produce, and in that event they will be no richer by the operation. If the exporters obtain a fair price, then, in the event of purchasing and getting it to market at low figures, their gains will be larger and they will be richer by the operation. And now we are brought face to face with another interesting question. If a larger amount of wealth is accumulated somewhere during the year, of what consequence is it to society who may be the accumulators? Does it make any difference whether the farmer makes the gain, or the transporters or the speculators? It would seem to us pretty clear that society is better off by dividing the accumulations with some degree of evenness among the various classes. Prosperity means that the farmer shall gain, the transporter, and all who perform any real service in production, exchange or exportation. There is no need, however, for glorification over any prosperity that may attend a gambler, and by him we mean most emphatically all who are engaged in illegitimate trade. They perform no valuable service to society. They are its real enemies, and the less they make and the oftener they fail, the happier every well-wisher of mankind should be.

Some persons maintain that the restoration of business depends mainly on faith, that if men believed prices were to advance immediately, a new life would be manifested throughout the business world. Looking at it from one point of view, this view is entirely correct; but when men have been once thoroughly bitten by unwise investments or injudicious enterprises they will not repeat their experience. To make much money through men's faith instead of their reason, there must be found a new crop of men who have not suffered. When a crop of this kind comes along, and, of course, men are growing rapidly, doubtless we shall see good times for a season. But the diagnostic power is defective in people who imagine that those who have already suffered are to any considerable extent likely to walk into the fire again. They do not do this so often a second time as many persons suppose. When prices are next seen bounding forward, and persons are putting millions into new railroad enterprises, they will belong to a new crop of lambs who have not engaged in such enterprises before. Jay Cooke did not attempt to build the Northern Pacific a second time; such attempts are rare. But a new crop will come along after a short time, and then good times are sure, if not before. The prosperity, however, which is dependent on faith, and faith alone, is always short lived, like the summer in the Red River Valley of the North. It comes suddenly, and the crops grow luxuriantly and mature speedily, suc-

ceeded by a long cold winter. A business founded on unreasoning faith is sure to be short lived, with long stretches of barrenness and gloom. The new-crop-of-fools theory of prosperity is not a rational one on which to base permanent prosperity.

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### RAILROAD RECEIVERS' CERTIFICATES.

A considerable number of railroads have gone into the hands of receivers within a year. The managers in some of these cases have obtained authority to issue receivers' certificates for the preservation of the property committed to them, and for its further development. In more than one case, however, the receivers have sought to get authority to issue certificates, the avails of which were to be used in liquidating indebtedness incurred before the creation of the receivership. It is clearly enough seen that so far as this policy may be adopted—issuing of certificates to redeem past indebtedness—prior liens are imperiled. For example, the holder of a first mortgage, while supposing that he has adequate security for his investment may have, if this doctrine be established, his lien entirely swept away. It was formerly thought, that when a first mortgage bond was taken the holder had a first lien on the property mortgaged, and in no event could he be divested of the lien thus created. Acting on this well-known principle, mortgages of this nature, when issued for not too large a part of the value of any property, have been greatly in demand as sources of sound investment, but, as previously remarked, if receivers' certificates can be issued and have priority, no mortgagee will know with certainty whether his security is a good one or not. Under such a system, all liens will be rendered insecure and their value seriously affected.

If any legal principle be just and worth maintaining, this would seem to be that when a first mortgage lien is created, it should be so in fact, as well as in name. No subsequent lien should operate to divest a prior lien of its greater value and security. Notwithstanding this obviously just principle, there is a manifest tendency to permit the issue of receivers' certificates, and to endow them with pre-eminence over other liens. When a receivership of a corporation is established, the claims against it arising prior thereto should be adjusted in such a manner as to preserve the rights and equities of all parties. The account should be considered closed to that date, and from that time forward a new account should be opened with subsequent parties of every kind and nature. When a road is running in the ordinary manner under the direction of a board of directors, all the different classes of creditors know per-

fectly well what their several rights and equities are. If a railroad is heavily indebted, and a half dozen different kinds of mortgages have been issued, and all kinds of creditors exist, for furnishing iron, cars or rolling stock, they know well enough that the payment of their claims must be made from the earnings of the road or from money borrowed, or in any event from some source other than the pockets of those who have advanced money to the concern ahead of him. But if the law or Legislature permit the subsequent furnisher of money or other supplies to step in ahead of others in securing himself, a manifest injustice is perpetrated.

The most noteworthy case in which this has been attempted is that of the Wabash Company, so long a creature of misfortune and mismanagement. Certain parties made advances to the company, and after a time it went into the hands of a receiver. They are now trying to have the courts give them priority over persons who advanced money to the company long before. Why should this be done? When these parties advanced the money, they knew perfectly well what was the condition of the company. They knew it had long been regarded as a wreck, and was in a hopeless condition. They well knew the risk they assumed. It was not a matter of surprise or accident to them. Their eyes were open. If the courts, therefore, sanction their claim, it is not only rendering an obvious injustice to all holding prior liens, but imperiling all securities of like nature. An enormous mass of securities would be imperiled if such a claim were sanctioned. It is to be sincerely hoped that the courts as well as the legislature will have due regard to honest dealing and the rights of all parties concerned, and will not sanction such monstrous claims.

We know of a railroad in New England which has been in the hands of a receiver for many years; almost from the time it began to operate. A great deal of money has been spent in maintaining and keeping it running. It is claimed, that for expenses of this nature, the road is primarily liable; but this case is different from that just mentioned. In the latter, the indebtedness has been incurred since the establishment of the receivership, and those holding the mortgage understood the risk. But there is no reason why claims contracted prior to the receivership, should, through any operation of the law, be given priority over other claims contracted during the same period. With respect to those contracted afterward the case is quite different. If a receiver is eating up a road through an endeavor to manage it, whether honestly or otherwise, the bondholders may obtain redress. They may take possession themselves through proper proceedings, or in other ways protect themselves. This is very different from an attempt to cut out other liens through the operation of receivers' certificates such as the Wabash receivers attempted to issue under the sanction of the court.

## FORESTRY.

A city contemporary thinks that our observation, that we could have got along very well if we had never had any white pine, is a very singular one, in view of the fact that "the annual value of that crop must be a good deal more than \$100,000,000 a year." But it is surely very plain, that if our lumbermen had had no white pine wherewith to supply us, they would have furnished us with an equivalent quantity of some other of the innumerable kinds of woods with which our forests abound. Without doubt, white pine has done us excellent service, but it is by no means the only description of timber which can be made serviceable. It will at last disappear, and when it does, the country will not find it difficult to learn to do without it. It will disappear all the quicker, if we stimulate the waste and destruction of our own forests, by holding over the owners of our timber lands the constant menace of destroying the value of their property by the free admission of the products of the illimitable forests of Canada. The necessary effect of the apprehension of that danger is to drive them into converting their timber into money in the shortest possible space of time, and of course by wasteful methods. In no country are forests preserved by thrifty management, or renewed by planting, unless there is ground for confidence in their future value.

The country, as a whole, although with many and important local diversities, contains timber in such vast quantities that large portions of it will perish by age and casualties before it can be cut and converted to useful purposes, and the proportion which will be lost in that way will be increased in precise correspondence with our importations from foreign countries of an article which we possess ourselves in excessive abundance.

The great inequalities among the States, some of which are nearly destitute of timber, while the territory of others is an almost continuous forest, indicate the impossibility of any useful National legislation on the subject. The local conditions are completely diverse, and it is only the State Governments which can adopt the laws to the varying situations. Most laws need the support of a public opinion based upon the interests of individuals. There must be a certain degree of scarcity of timber before the owners of lands bearing forests, or capable of bearing forests, will support the enactment of laws, or aid in the enforcement of laws, which prescribe economical methods in cutting timber, or provide for new plantations of wood. All that the National Government can wisely do is in its capacity as the greatest land proprietor. The existing

law, by which the title to sections of its lands can in certain cases and localities be obtained by a given amount of tree planting, is sound in principle, and any abuses of it in its practical working can probably be remedied. So, too, when the public domain at the heads of rivers happens to be covered with forests, the preservation of which is important to the equability of their water flow, the National Government may properly attend to their preservation, and is indeed the only political authority which can attend to it.

The establishment of National schools of forestry, to be supported at the expense of the National Treasury, would inevitably degenerate into a huge political job, and promises no good to anybody except to those who should slip themselves into the comfortable places for which such schools would provide, the number of which would be large at the start, and would increase from year to year with the usual mushroom growth of such establishments at Washington. It would not be five years after the passage of a law creating a National Bureau of Forestry, before its operations would be so enlarged by staff appointments, traveling agents, publication offices, and lectureships, both permanent and migratory, that the head of it would conceive that the importance of his functions entitled him to be made a Cabinet Minister. The building at Washington necessary for the accommodation of himself and of his immediate satellities would need to be as huge as that now being constructed for the Pension Bureau. *Obsta principiis*. The only way to stop these things is to nip them in the bud. If they once get fairly started, their momentum increases from year to year, and soon becomes irresistible. Our National establishments need reduction, rather than enlargement, and none can be thought of more likely to run into abuses than a Bureau of Forestry. The country has had scarcely any practical experience in forest management. The knowledge possessed here on the subject is principally confined to books. The appointments to the places in and under such a Bureau, so far as they were not controlled by politicians, would be controlled by pretentious theorists, a goodly proportion of them being the merest cranks, who would foist themselves into fat places by concerted laudations of each other.

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## FINANCIAL FACTS AND OPINIONS.

The amount and description of United States bonds deposited for bank-note circulation were as follows at the dates mentioned:

	July 19.		October 11.
Currency, 6s.....	\$ 3,498,000	....	\$ 3,469,000
Coin, 4½s.....	47,248,950	....	49,605,950
" 4s.....	113,209,900	....	116,983,450
" 3s.....	169,087,150	....	158,610,100
	<u>\$ 333,044,000</u>	....	<u>\$ 328,668,500</u>

On the first of January, 1879, the date of the resumption of coin payments, the gold in the Treasury, less the outstanding certificates, amounted to \$112,703,342, not so much as it is now.

From January 1, 1879, to November 1, 1883, the excess of the imports of gold over the exports was \$186,195,510, and the home production was \$167,600,000, making an aggregate addition of \$353,795,510 to the gold of the country, from which is to be deducted the consumption in the arts during the same time of about \$53,000,000.

The reduction of the net public debt during September was \$12,047,039, and for the quarter ending September 30, was \$24,583,180. At that rate the reduction for the current year will be \$98,332,720, but no such rate can be kept up. During the last quarter there will be no extra receipts from the whiskey tax, and the present swollen custom-house revenues cannot continue a great while longer. European merchants and manufacturers are just now making this country a slaughter market for the goods they cannot sell at home at any price. Our tariff revenue has always been a very fluctuating one, independently of changes in the rates of duty. The following table shows what it has been during the past ten years:

<i>Fiscal Year ending June 30.</i>	<i>Customs Revenue.</i>
1875.....	\$ 157,167,722 35
1876.....	148,071,984 61
1877.....	130,956,493 07
1878.....	130,170,680 20
1879.....	137,250,047 70
1880.....	186,522,064 60
1881.....	198,159,676 02
1882.....	220,410,730 25
1883.....	214,706,496 93
1884.....	195,067,489 76

During the fiscal year ending June 30, 1884, the cash received from sales of United States lands was \$10,302,582. The largest number of acres disposed of in all ways in any State or Territory was 11,082,818 acres in Dakota.

The Mint Bureau estimates the gold coin in this country, October 4, 1884, at \$557,597,794, and the gold bullion in the mints and treasury available for coinage at \$52,946,587, as compared with

\$544,512,699 of coin, and \$61,683,816 of bullion on the first of October, 1883. Taking coin and bullion together, the gain of gold during the year was \$4,347,866. The total number of silver dollars coined at the end of September was 182,380,829.

The average of the daily clearings of the New York City banks during the year ending on the thirtieth of last September was less than in any year since 1879. In twenty-six of the principal American cities, the clearings were during the same time twenty-five per cent. less than during the preceding year. If it was possible, as respects the New York clearings, to eliminate those which arise from stock transactions, and as respects the clearings in New York and elsewhere to eliminate the transactions which are merely gambling ventures in produce "futures," the reports of the Clearing-houses would be a better index than they actually are, of the prices of commodities and of the extent of the dealings in them. As to prices, however, we have the market quotations, which are direct and reliable evidence, and they show that the general range is at least as low as at any time during the past half century.

Among the tables compiled by the Census Bureau is one showing the proportion of the inhabitants of cities of 8,000 and upwards, to the total population of the United States. This population was only 3.3 per cent. at the first taking of a census in 1790. In 1850 it had increased to 12.5 per cent., in 1860 to 16.1 per cent., in 1870 to 20.9 per cent. and in 1880, to 22.5 per cent. It is this urban population which constitutes the always reliable and steadily increasing home market for the American farmers.

The accounts of the fiscal year ending on the thirtieth of last June, as finally corrected, make the Government expenditures (including \$54,578,378 of interest on the public debt) amount to \$244,126,244, and the income, \$348,519,869. This left a surplus of \$104,393,625, which was not accumulated in the Treasury, as newspaper paragraphists say it was, but was applied to the payment of the principal of the public debt.

During September the reduction of outstanding bank notes was \$775,742, and the increase of deposits for the redemption of the notes of failed, liquidating and reducing banks was \$943,629. The net reduction of the bank circulation was, therefore, \$1,719,371 which is about half a million less than the monthly coinage of silver. During the year ending September 30 the net reduction was \$20,520,572.

During the three years ending June 30, 1879, being the last and worst of six years of depression, the average annual customs revenue was only \$132,892,407. During the next three years a favorable commercial reaction set in, and the annual average revenue, with no change in the rate of duties, swelled to \$201,697,490. Commercial reactions, favorable or unfavorable, are not felt instantaneously in the

customs revenues. An extra flow of imports continues a little time after the cessation of the cause which produced it. The tide had turned during the year ending June 30, 1882, but even during the following year the customs revenue was higher than during either of the two booming years ending June 30, 1881. But an approaching fall in it is inevitable, even if delayed, and the longer it is delayed the worse it will be. In 1836 the Government distributed among the States \$28,000,000 of surplus which had accrued from excessive imports, and was the next year obliged to issue Treasury notes to meet its own expenditures. It will be a worse folly, because it will be committed in the face of a more abundant experience, if the Government shall now, by repealing taxes, throw away a merely temporary and evanescent excess of income.

The losses by fire in the United States and Canada were \$9,200,000 in September, the greatest ever known in that month. If the losses continue through 1884 at the same rate as during the first nine months they will aggregate \$111,000,000. Insurance companies hold to the uncharitable opinion that when buildings or their contents cannot be sold to anybody else, except at low prices, some owners sell them to insurers by burning them up. Without doubt, suspicions of that kind are entertained when there is no sufficient ground for them, but at the same time it is probable that owners keep a more careful watch against fires when their property is paying well, or promises to pay well.

It is said that under the present Illinois policy of imposing high taxes upon licenses for retailing liquor the number of saloons has diminished from 13,000 to 9,000, while the revenue has increased from \$700,000 to \$4,500,000. The time may come when that species of traffic will be generally prohibited in this country, but until it does come the plan of getting as much revenue from it as possible is likely to be a favorite one with taxpayers.

The yield of gold in Victoria, from its discovery in 1850 to the end of 1883, which is ascertained with great accuracy by official inspectors and registrars, was 52,245,367 ounces, valued at £4 per ounce, or £208,981,469, which is equal to about 1,000 million dollars. During the three years ending with 1870, the annual average production was 913,435 ounces from alluvial washings, and 597,888 ounces from quartz mines. During the three years ending with 1883 it was 323,528 ounces from alluvial washings, and 502,553 ounces from quartz mines. On the whole, although the production has fallen off largely since 1850, it is still about as large as it is in California.

Among the consular reports printed in August is a letter under date of February 24, 1884, from Mr. Gibbs, American Minister to Bolivia, upon the silver production of that country, which he estimates to have been 15,000,000 of ounces in 1883, worth, at its pres-

ent gold price, only about \$17,000,000, but of a minting value in this country of about \$19,500,000. The bases for this estimate are:

1. That the Government imposes a tax of ten cents per ounce, which was farmed out in 1883 for \$808,358, being the tax on 8,083,580 ounces, it being believed that those to whom it is farmed out make great profits, and that on a good deal of the product the tax is evaded.

2. That, according to the accounts of the Bolivian authorities, the silver export of 1882 was, in dollars of the bullion value of our silver dollars, by the Argentine route, \$18,762,892, and by the Pacific route \$1,233,454.

3. The private information collected by him from persons interested in the mines.

He adds that the production is increasing, from new machinery and improved methods, and expresses the opinion that when the silver riches of Bolivia, Peru and Chili are fully developed, the annual production will be \$50,000,000. With that amount added to the \$20,000,000 produced in Mexico he says "it appears to him that the supply will far exceed the demand." If the consumption in the arts outside of Asia is half that of gold—as it is commonly supposed to be, and as it is known to be, so far as this country is concerned—it amounts now to \$35,000,000 annually, and is increasing at a great rate. It trebled in the twenty years between 1860 and 1880. The demand for Asia is indefinitely large, India alone absorbing it at the rate of \$30,000,000 per annum. Nearly all countries coin it as subsidiary money, and this country coins \$28,000,000 of it annually as full-tender money.

On the sixth of October the British Cabinet held a session, at which "alarm" is said to have been manifested on account of an unfavorable report as to the condition of Egypt from Lord Northbrook, who had been sent there on a mission of investigation, and also on account of a statement of the Paymaster General at Cairo that £150,000 weekly in cash must be forthcoming for the expenses of the Soudan expedition. This last item of intelligence cannot have been unexpected, inasmuch as the British Cabinet several weeks ago notified the Khedive that they were ready to lend British credit for £8,000,000 for that enterprise. If the cost of it does not exceed that sum, and it is hardly likely to do so, the British can in time recoup it from the revenues of Egypt, but at the moment it requires to be advanced in hard cash, and is the cause of a considerable drain upon the Bank of England, which at the present time has no superabundance of gold.

During the thirty years from 1851 to 1880, both inclusive, the total gold production of Australasia, including Tasmania and New Zealand, was 71,887,375 ounces, of the value of £282,979,912, or nearly 1,400 million dollars, or at an average annual rate of about

forty-six million dollars. It is now about thirty million dollars annually, and the indications are that the present rate of production will be substantially maintained for a long time.

During the eight months ending with last August the export of silver from Great Britain to the East Indies, at a gold valuation, was \$26,448,090, as compared with \$19,399,745 during the corresponding months of 1883. The falling prices of the principal articles of export from India may impair its power in the immediate future to pay for silver, but the constant increase of its population and wealth, and especially of its manufactures, will make it always a large purchaser of that metal for ornamental purposes, and for use as money.

During the week covered by the circular (September 25) of Pixley & Abell, the British exports of silver to India, the Straits and China, at a gold valuation, amounted to £404,860, or two million dollars.

The Ellison cotton circular shows that, taking the eleven months from October 1 to September 1, the consumption of cotton by the mills on the Continent of Europe was as great in 1883-4 as in 1882-3, and that the falling off in Great Britain was only from 3,480,000 bales of 400 pounds each to 3,420,000 bales. But prices have been lower, and the consumption of cotton cloths and yarns has been less, as shown by the unsold and unsalable accumulations.

In the budget submitted by the French Cabinet to the Chambers, October 8, an increase of \$3,500,000 was asked for in the appropriation to meet the Government guarantees of the income of certain railroads. The falling off in the business receipts of those roads is ascribed to the cholera, but without doubt it is partly due to commercial depression arising from other causes.

In 1882 the foreign trade of the Australian Colonies, not including their commerce with each other, was, in imports, \$216,287,149, and in exports, \$162,764,920, which is said to equal the foreign trade of Great Britain at the commencement of the reign of Queen Victoria.

The project of reducing military establishments, said to have been talked over at the meeting, a few weeks ago, of the Emperors of Russia, Austria and Germany, would have important financial effects if it was carried out. The English journals, generally, are entirely incredulous on the whole subject. They do not believe that the countries named have any genuine confidence in each other, and if they have, there are other countries, such as France, to be reckoned with, besides the necessity of keeping their own people in subjection. The present defence of Germany against French revenges is the German army. If there was substituted for that the engagement of Austria and Russia to assist in defensive measures against France, it might prove of no more value than the paper on which it was written.

The Paris correspondent of the London *Economist*, of September 6, says, that the French deficit for the current year is estimated at 200 million francs, or \$40,000,000. The revenues have fallen ninety million francs below the estimates, and there have been the extraordinary expenses in Tonquin, Madagascar and China. New taxes are said to be impossible, and deficits must be made good by the floating debt expedient of Treasury bills. This correspondence does not hint at a larger issue of Bank of France notes, but it will come if the deficits continue.

The area of wheat this year in Manitoba and the north-western territories of Canada is estimated at 415,000 acres, and the average yield at twenty-three bushels per acre, making a total crop of 9,500,000 bushels.

The actual import of wheat by the United Kingdom during the year ending August 31, last, was 15,815,878 quarters, but the consumption of foreign wheat was larger, the excessive stock on hand at the beginning of the year having been considerably reduced. The import needed for the current wheat year ending on the thirty-first of next August, is estimated by British authorities at sixteen and one-third million quarters. The *per capita* consumption in the United Kingdom is reckoned at 5.65 bushels. In this country, where there is a great use of Indian corn, and where meat and vegetables are consumed much more abundantly than in Europe, the *per capita* consumption of wheat is never reckoned higher than five bushels, and some statisticians put it as low as four and one-fourth bushels.

The Bank of England rate of discount was reduced, June 18, from two and a-half to two per cent. The London *Economist*, of September 20, says:

Ever since the rate was reduced to two per cent. gold has been steadily leaking away from us, the aggregate withdrawals having amounted to £1,600,000.

But, elsewhere in the same number of the same journal, it is stated that "the German Bank continues to lose gold in spite of its comparatively high rate of discount."

A leakage which is increased by low rates, but not stopped by high rates, must be a difficult one to manage.

The London *Economist* of September 27 says:

The low price of wheat during the past year has caused a larger proportion of home-grown wheat to be consumed by stock, and the still lower prices which are likely to prevail during the coming year will tend to increase this consumption.

The Island of Malta has a steady annual surplus of public income over expenditure, which it invests in British consols. The accumulation amounts now to £250,000, or a million and a-half of dollars. These facts are given on the authority of the report made this year by United States Consul Worthington.

The number of 500-franc bonds offered for sale a few weeks ago by the Panama Canal Company, was 387,387. At the issue price they will bring in 128 million francs, or about \$25,000,000, and there is said to be little doubt that they will all find a market. The French confidence in the enterprise seems to be unabated. As long as Lesseps lives, and is able to keep up his own enthusiasm, Paris will apparently follow his lead. The *prestige* which he acquired in the construction of the Suez Canal seems as yet unabated, and it is not so certain as some American newspapers assume it to be, that it will not be increased and confirmed by a success at Panama. A ship canal there will be a benefit to mankind in general, and to this country in particular, whether the cost and risk of it are borne by the French or by anybody else. We have no occasion to be jealous of the faithful ally who so efficiently aided our ancestors in achieving American independence. The politicians who shall attempt to get up a war with France about the Panama Canal, will find that they reckon without their host.

Griffith's valuation of the income of Irish real estate was commenced under a law passed in 1826 and completed in ten years. Its object was to make a basis for local taxes. It is said that, as a rule, he estimated the income twenty-five per cent. below the actual letting rates at the time. This valuation is now constantly referred to in the discussion of the Irish land question. Irish tenants contend that present rents should not exceed Griffith's valuation. The total income of realty in Ireland, as he estimated it, was £9,101,938 for the lands, and £4,695,408 for the buildings, making a total of £13,796,806, or \$59,074,030. The present income, as officially fixed for taxation, of all the real estate in London, is twenty-four millions sterling, which is said to be one-fifth less than the actual rentals.

The coffee exportation of Mexico amounted in 1869 to only \$677, but has increased now to \$1,000,000. It has nearly doubled within five years, and threatens the *quasi* monopoly of Brazil to a degree which will compel that country to remove its export duty on coffee, or, at any rate, to reduce it. Brazil is said to have derived in one year as much as \$7,900,000 from that duty.

The United States Consul-General at Rio Janeiro reports that the import duties on Brazilian coffee are in England 3 cents per pound; in Germany, 4½ cents; in Austria, 7 cents; in Italy, 10 cents; and in France, 14 cents. In this country we admit it duty free, but Brazil imposes an export duty, which, on the quantity shipped to the United States, he says "amounts to nearly \$2,500,000 a year."

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## FINANCIAL LEGISLATION OF CONGRESS IN JULY, 1861.

Congress convened on the fourth of July, 1861. The representatives of the Southern States were not present, and the Republican party had a very large majority in both branches. Secretary Chase presented a report in which he considered—first, the receipts and expenditures for the year; secondly, the appropriations made and required; and, lastly, the modes of providing the money for them.

The amount required for the fiscal year 1862, which began on the first of July, 1861, was the following:

To discharge appropriations of former years .....	\$ 20,121,880 70
To discharge ordinary appropriations for the fiscal year 1862. . . . .	59,588,989 38
To discharge the war appropriations.....	217,168,850 15
To pay Treasury notes.....	12,639,861 64
To pay interest on the new debt .....	9,000,000 00
	\$ 318,519,581 87

The Secretary remarked that duties on imports, which were the chief source of ordinary revenue, would not furnish all the money required, and that the deficiency must be supplied from loans. His opinion was, that \$240,000,000 should be obtained by borrowing, and that "not less than \$80,000,000 should be provided by taxation." He recommended "only such modifications of the existing tariff as would produce the principal part of the needed revenue, and such resort to direct taxes, or internal duties or excises, as circumstances might require in order to make good whatever deficiency might be found to exist." The modifications in the tariff law proposed by him were the taxation of articles then exempt from duty, and an increase of the rate on those which were lightly taxed. The most important article under the latter head was sugar; on the free list were coffee and tea. From these sources he estimated an additional duty of \$20,000,000. Other modifications were recommended, which, if adopted, the Secretary believed an annual revenue of \$80,000,000 would be realized on the return of National prosperity. But for the current year, he remarked that provision should be made for raising at least \$20,000,000 "by direct taxes, or from internal duties or excises, or from both." The Constitution required an apportionment of the former among the States in the ratio of federal population; with respect to the latter, uniformity, simply in mode of assessment and collection among the States, was necessary. The Secretary also "suggested that the property of those engaged in insurrection, or in giving aid and comfort to insurgents, might properly be made to contribute to the expenditures." He also fa-



vored retrenchment in expenditures by reducing ten per cent. the salaries and wages paid by the general Government, the abolition of the franking privilege, and the reduction of postal expenses.

The next features of the report worth considering in this place were his recommendations for raising money by loans. The first of these was the opening of subscriptions for a National loan of \$100,000,000, "to be issued in the form of Treasury notes, or exchequer bills, bearing a yearly interest of seven and three-tenths per centum, to be paid half-yearly, and redeemable at the pleasure of the United States after three years from date." Although the foregoing sum was specified for that form of loan, he did not intend to restrict it to "any precise limit short of the entire sum which might be required, in addition to the sums to be realized from other sources for all the purposes of the year." The above-mentioned rate of interest was "suggested because it was liberal to the subscriber, convenient for calculation, and, under existing circumstances, a fair rate for the Government."

His reasons for dealing liberally with subscribers should be mentioned, in view of his action afterwards in dealing with them. "It is beneficial to the whole people that a loan distributed among themselves should be made so advantageous to the takers as to inspire satisfaction and hopes of profit, rather than annoyance and fears of loss; and, if the rate of interest proposed be somewhat higher than that allowed in ordinary times, it will not be grudged to the subscribers when it is remembered that the interest on the loan will go into the channels of home circulation, and it is to reward those who come forward in the hour of peril to place their means at the disposal of their country." These were wise words, truly; what a vast burden of loss and suffering would the country have escaped had he remembered them!

If all the money needed could not be raised by that mode, the Secretary proposed that bonds or certificates of debt should be issued to lenders "in this country or in any foreign country, at rates not lower than par, not exceeding in the aggregate \$100,000,000, or, if expressed in the currency of Great Britain, not exceeding £20,000,000." The bonds were to be payable after January 1st. 1862, if the Government desired, and might run for thirty years. Seven per cent. was proposed payable in London and at the United States Treasury.

The Secretary finally recommended that provision be made for the issue of Treasury notes for ten, twenty, and twenty-five dollars each, payable one year after date, "to the amount of \$50,000,000." The rate of interest proposed was 3.65 per cent., and the notes were to be exchangeable at the will of the holder for Treasury notes or exchequer bills, payable after three years, bearing 7.3 per cent. interest, or "be made redeemable on demand in coin and is-

sued without interest." In either form, he added, Treasury notes of small denominations might prove very useful if prudently used in anticipation of the revenue. In the closing sentence on this subject is clearly mirrored his opinion concerning fiat money. "The greatest care," he says, "will, however, be requisite to prevent the degradation of such issues into an irredeemable paper currency, than which no more certainly fatal expedient for impoverishing the masses and discrediting the Government of any country can well be devised."

The Secretary's recommendations were embodied in bills prepared by himself or by his direction, which accompanied his report. On the fifth of July the Speaker laid the report before the House. The portion that related to the finances was referred to the Committee of Ways and Means, and to the Committee on Commerce was referred the portion relating to the collection of the revenue from customs. Thaddeus Stevens was chairman of the former committee, and E. B. Washburne, of Illinois, of the other. Four days afterward Mr. Stevens reported a loan bill which authorized the Secretary to borrow \$250,000,000. General debate thereon was limited to one hour, which was mostly occupied by Vallandigham, of Ohio, in opposing the measure. When he had finished, the bill was read and, without debate, was passed. It received one hundred and fifty affirmative votes; those who voted against it were Messrs. Burnett, of Kentucky; Norton and Reid of Missouri; Vallandigham, of Ohio, and Fernando Wood, of New York. Three days afterward the bill passed the Senate. It was reported by Mr. Fessenden with several slight amendments, which were adopted by the Senate and concurred in by the House. On the seventeenth of July the bill, having been enrolled, was signed by the speaker.

This was the first law that authorized the Secretary of the Treasury to borrow money. For seventy years that authority had been granted to the President and Secretary. Mr. Chase, perhaps, when drawing the bill, was not familiar with loan legislation. No one was opposed to the change, nor was there, in truth, any reason for burdening the President with such a duty. The loan greatly exceeded the amount ever authorized before, and the provisions of the law were essentially those recommended by the Secretary of the Treasury.

On the fifth of August a supplemental bill was passed, which authorized the issue of bonds bearing six per cent interest, and payable at the pleasure of the Government after twenty years from date, and for which Treasury notes bearing seven and three-tenths interest might be exchanged. That Act also provided that five-dollar Treasury notes might be issued, and that all of "a less denomination than fifty dollars payable on demand without interest, to the amount of \$50,000,000, should be receivable in payment of public dues."

A revenue bill embodying the Secretary's views was also introduced. This provided for increasing the duty on sugar, for taxing coffee five cents per pound, black teas ten cents, and green teas fifteen cents a pound; and the duties on many articles were considerably increased, especially on brandy, distilled spirits, and wines, and on silks. The bill provided for a direct tax of \$20,000,000, and an income tax of three per cent. on incomes exceeding eight hundred dollars. This general provision of the law was modified in several respects. Income derived from securities of the United States was taxed only one and one-half per cent., but from the income of stocks, securities and other property existing in the country owned by American citizens residing abroad, a tax of five per cent. was laid. They were favored, however, like persons living here on incomes derived from National securities.

This measure occasioned a warm debate. The sentiment was intensely in favor of doing everything necessary to sustain the Union, yet the proposed expansion of the taxing power was enormous. Three distinct things are embodied in this law—an increase of the duties on imports, the collection of a direct tax, and of another from incomes. There was more opposition to the imposition of the tax on coffee than on any other article. The Secretary proposed five cents a pound; some members were very strenuous for a reduction to three. Finally a compromise was made, and four cents was fixed as the rate.

The collection of a direct tax, while regarded necessary, was a grave expedient. All the members felt the full import of this legislation. The amount was fixed at \$20,000,000, and apportioned among the States.

The objections to an income tax were not so great. If honestly collected, this tax is considered by many who have well studied the subject one of the fairest that can be assessed; but, as the desire to evade it is strong and general, and the facility for doing so great, the tax, in truth, is very objectionable. The law for collecting it went into effect on the first of January, 1862.

Another revenue act was passed this session, which provided for obtaining the property of those who should aid, abet or promote the "insurrection or resistance to the laws, or any person or persons engaged therein." The additional legislation necessary for collecting National revenues in the insurrectionary States was enacted early in the session.

Congress adjourned on the sixth of August, having matured and passed bills of momentous importance. The authority granted to the Secretary of the Treasury to raise money was far greater than any predecessor had ever had, yet events justified the action of Congress. The war curtain had been drawn from an immense stage, and the enormous loan authorized soon proved to be none too large.

for the emergency. The increase in duties, though voted with reluctance by some members, was justified by the necessity for raising more money. Whatever effect this legislation may have had in stimulating home production, the sole object in enacting it was to raise a larger revenue.

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### THE FIRST ONE HUNDRED AND FIFTY MILLION CIVIL WAR LOAN.

Scarcely had Congress adjourned, when Secretary Chase started for New York to borrow money. On the evening of the ninth of August (1861) a meeting was held at the house of John J. Cisco, the Assistant United States Treasurer, who had been continued in office, notwithstanding the change of party administration. He had well served the Government, and the President acted wisely in retaining him. When personal fitness shall be uniformly applied as a test for keeping men in office the change will mark the beginning of a new era in National advancement more glorious in rational expectation than any era already passed.

At this meeting were assembled, beside Mr. Chase, bankers and other prominent men of New York. Mr. Coe, the President of the American Exchange Bank, suggested the practicability of organizing the banks into an efficient and inseparable body, for the purpose of advancing the capital of the country on Government bonds in large amounts, and through their Clearing-house facilities and other well-known expedients to distribute them in smaller sums among the people. This suggestion was heartily received, and, by request of the Secretary, was presented to the representatives of a considerable number of banks, who assembled on the following day. On that occasion a committee of ten were appointed to develop the suggestion into a plan for rendering assistance to the Government. On the fifteenth the committee reported. Thirty-nine of the New York banks were represented; the Philadelphia banks were represented by Messrs. Mercer and Patterson; and Mr. Gray, of Boston, represented those of that city. "The report was cordially accepted and adopted by the banks in New York," while those in Boston and Philadelphia, through their representatives, "as zealously and cordially united in the organization." The co-operation of the banks of the West, though greatly desired, it was found impracticable to secure.

The following plan was adopted: There should be an immediate issue by the Government of Treasury notes, dated August 15th, bearing interest from date at 7.30 per cent., to the amount of \$50,000,000. The banks of New York, Boston and Philadelphia were to

unite in taking this amount at par, with the privilege of taking \$50,000,000 more on the 15th of October, and a similar amount two months later, unless the same should be previously subscribed as a National loan. The Secretary was to negotiate no other Government stocks, bonds or Treasury notes, except those payable on demand, and the Oregon war loan, which had been recently authorized, and was less than \$3,000,000. Negotiations in Europe, however, were not restricted by this agreement with the banks.

An appeal was to be made by the Government for subscriptions to the loan, and the banks were to subscribe in proportion to their capital. No bank, however, could subscribe for more than one-fifth of the amount. The regulations further prescribed the mode of payment, and the formation of a committee representing the banks in the three cities for conducting the business. The eighth section of the plan set forth that "in addition to the banks of New York, Boston and Philadelphia, it would be desirable that other parties should become associates, say, trust companies, Savings banks, insurance companies, and private bankers, who, in lieu of *pro rata* of capital, should designate, when joining the association, what amount of interest they decide to take."

To ensure the success of the plan, the expedient of issuing Clearing-house certificates, and of appropriating and averaging all the coin in the various banks as a common fund, was adopted. This action was a continuation of the policy adopted by the banks in November, the previous year. At that time, foreseeing the future, they "deemed it wise to band themselves together, putting their coin into a common fund, and otherwise aiding each other, so as to enable them best to sustain their dealers, and by joint action to relieve the wants of the Government, if it became necessary, to the largest possible extent."\* Such a vast financial undertaking had never been attempted before in this country, nor was ever a similar one matured and put into execution so quickly.

The bank capital thus associated aggregated \$120,000,000, exceeding the amount of the Bank of England and of France. The banks that joined in the movement, possessed the needful capacity for accomplishing the end, yet were free from the objection of acting as a single great corporation. Their financial condition was :

\* *Report of the Loan Com. of the Associated Banks*, page 11. The committee added that they believed the objects proposed by the banks at that time had been very fully obtained. "That in the future the Banks will look back with just pride to the record of the past, borne by them in the most critical and eventful period known in the history of the country; and that they may justly claim that by their foresight in organizing themselves, and their prompt action for the support of the Government at the darkest moment of the past year, when they placed more than their entire capital at its command, almost without hope of profit, with ruin staring them in the face in the event of loss, that they did much to save the Government from being overthrown and the country from being dismembered."

	<i>Liabilities.</i>		
	<i>Deposits.</i>	<i>Circulation.</i>	<i>Assets in Coin.</i>
Banks in New York....	\$92,046,308	.. \$8,521,426	.. \$49,733,990
Boston.....	18,235,061	.. 6,366,466	.. 6,665,929
Philadelphia..	15,335,838	.. 2,076,857	.. 6,765,120
	<hr/> \$125,617,207	<hr/> \$16,964,749	<hr/> \$63,165,039

They had therefore \$63,165,039 in coin to meet \$142,381,956 of liabilities, or forty-five per cent. of the whole amount. "Surely," says a very high authority, from whom we have drawn largely for this chapter, "such conditions as these, with judicious administration, were adequate to the work which the country required. A great merit of this bank combination at that critical moment, when the life of the nation hung in the balance, consisted in the fact that it fully committed the hitherto hesitating moneyed capital of the North and East to the support of the Government. The bank officers and directors who thus counseled and consented were deeply sensible of the momentous responsibility which they assumed, but all doubt and hesitation were instantly removed, and perfect unanimity was secured by the question, 'What, if we do no unite?' And, acting as guardians of a great trust exposed to imminent danger, they fearlessly elected the alternative best calculated to protect it."

The problem for the banks to solve was, how could the available capital be drawn from the people and devoted to the support of the Government with the least disturbance to the country, and by what means could arms, clothing and subsistence for the army be best secured in exchange for Government credit. As these transactions were simply home exchanges, bank checks, deposits and and transfers, the ordinary instruments of trade were the best means for effecting them. To transact this business the most effectively the preservation of a specie standard by the banks was necessary, and this end in turn necessitated the least possible change in the coin reserve.

"Accordingly, it was at once proposed to the Secretary that he should suspend the operations of the Sub-Treasury Act [which required that nothing but coin should be accepted for any obligations due to the Government] in respect to these transactions, and, following the course of commercial business, that he should draw checks upon some one bank in each city representing the association, in small sums as required in disbursing the money thus advanced. By this means his check would serve the purpose of a circulating medium, continually redeemed, and the exchanges of capital and industry would be best promoted. This was the more important in a period of public agitation, when the disbursement of these large sums exclusively in coin rendered the reserves of the banks all the more liable to be wasted by hoarding. To the astonishment of the committee [who represented the associated banks] Mr. Chase refused." The Sub-Treasury law had been suspended on the

eighth of August so far as to permit the Secretary of the Treasury to deposit any money obtained from loans then authorized by law, to the credit of the Treasurer of the United States in such solvent specie-paying banks as he might select; and the money thus deposited might be withdrawn from such deposit for deposit with the regular authorized depositories, or for the payment of public dues, or paid in the redemption of the notes authorized to be issued under that Act, or the Act to which it was supplementary, payable on demand, as might seem expedient to, or be directed by, the Secretary of the Treasury. This law was passed for the purpose of enabling the Secretary of the Treasury to adopt such a policy as that recommended by the banks, but Mr. Chase declared, "upon his authority as finance minister, and from his personal knowledge of its purpose [that the Act] had no such meaning or intent." Yet he was unquestionably wrong, and we can discover no ground on which his declaration can securely rest. Mr. Spaulding says that the primary object which Mr. Appleton and himself had in view in preparing the law, "was to relax the rigid requirements of the Sub-Treasury Act in regard to the receipt and disbursement of coin, and instead of paying solely from coin deposits in the Treasury, to allow all the money obtained on these loans to be deposited in solvent banks; the United States Treasurer to draw his checks directly on such deposit banks in payment of war expenses, which checks would be paid in State bank notes then redeemable on demand in gold, or in the ordinary course of business. To a large extent, they would pass through the New York Clearing-house and the Clearing-houses of other cities, and be settled and cancelled by offset, without drawing large amounts of specie." The statement of Mr. Spaulding, who prepared the Act, must be regarded as the highest authority in this matter, consequently the declaration of the Secretary cannot stand in the court of history.

The bank committee clearly saw the importance of exercising the authority conferred on the Secretary by the above-mentioned Act to alter the mode of receiving and disbursing the public money. "The subject," says Mr. Coe, "was discussed from time to time with much zeal, but always with the same result. To draw from the banks in coin the large sums involved in these loans, and to transfer them to the Treasury, thence to be widely scattered over the country at a moment when war had excited fear and distrust, was to be pulling out continually the foundations upon which the whole structure rested. And inasmuch as this money was loaned to the Government, and was in no sense trust reposed in the banks, there appeared to them no reason why it should not be drawn by checks in favor of Government contractors and creditors, who would require to exchange them for other values in commerce and trade through the processes of the Clearing-house. And this consideration was

greatly strengthened by the fact that these advances were made and the money publicly disbursed a long time before the Treasury notes were ready for delivery to the banks which had paid for them."

The inquiry is pertinent for what purpose did Mr. Chase suppose the Act in question was passed, and why was he so unwilling to take advantage of it in receiving and paying the public money? One reason, doubtless, was, he did not comprehend the importance of transacting the public business in the mode recommended by the banks, and for which the law had provided. Mr. Chase was emphatically a "hard money" man; he well knew the evils caused by using any other medium of payment, and he believed the Government could continue to do business on a purely specie basis. He did not in the least comprehend that the vastly greater payments required an entirely different mode of making them. The banks were far wiser than the Secretary.

Nevertheless they yielded, though they "would have conferred an incalculable benefit upon the country had they adhered inflexibly to their own opinions." But why did they yield when they saw so clearly the need of adopting the policy recognized by Congress, when authorizing the Secretary to suspend the operations of the Sub-Treasury law? "The pressure of startling events," says Mr. Coe, "required prompt decision, and the well-known intelligence and patriotism of the Secretary gave to his judgment overwhelming power."

Notwithstanding the unwillingness of the Secretary to accept bank notes and to employ the machinery for discharging obligations which the banks had perfected, he was not averse to the issue of demand notes by the Government, though having no coin to redeem them, and dependent on the banks for a supply. They plainly saw that coin payments could not be maintained if the transfers from them were to be intercepted and absorbed by the Government. Nor could the banks receive such notes on deposit from the public as money, while they were responding to the Government and to their own dealers in coin. To the banks this was inflation in the most embarrassing form. The Secretary, therefore, was strongly solicited to refrain from exercising the discretionary power given to him to issue such notes until other means were exhausted. The Secretary assured the banks of his acquiescence in their recommendation, but insisted that it was improper for a public officer to pledge himself openly not to exercise a power conferred by law. This statement was satisfactory to the banks, and they began to pay into the Treasury in coin at the rate of about five million dollars at intervals of six days. As long as the Secretary kept the Treasury notes out of the channels of circulation, the disbursements of the Government were so rapid, and the movements of trade so intense, that



the coin paid on each installment of the loan came back to the banks through the people in about a week.

After taking, but before paying, the third installment of \$50,000,000, the associated banks were in a strong position, and had lost but little specie. In the meantime the seven-thirty Treasury notes, so called, taken by the banks had been purchased by the people to the extent of fifty millions, notwithstanding a prolonged and vexatious delay by the Treasury department in issuing them. "It may be confidently affirmed that had the banks been permitted to exercise their own methods of exchanging the bonds for the varied products of industry required by the Government, they could have continued their advances in sums of fifty millions for an indefinite period, and until the available resources of the people had been all gathered in."

When the Secretary made his annual report on the 9th of December, he remarked that the objects of the arrangement with the associated banks were: 1. To place at the command of the Government the large sums immediately needed for the payment of maturing Treasury notes, and for other disbursements, ordinary and extraordinary; 2, to secure to the people equal opportunity with the banks for participating in the loan; 3, to avoid competition between the Government and the associated institutions in the disposal of bonds; 4, to facilitate and secure further advances to the Government by the associates, if required; and, 5, to insure, if possible, the maintenance of payments in specie, or its actual equivalents and representatives. All these objects, he continued, had been happily accomplished. Fifty million dollars had been immediately advanced by the banks. The Secretary had opened books of subscriptions throughout the country, and the people had subscribed freely to the loan. The amount thus subscribed had been reimbursed to the banks, and though the amount thus far paid to them covered but little more than half the amount, those institutions were thereby enabled when the second loan of \$50,000,000 was required to make the same.

Thus, two loans of \$50,000,000 each had been negotiated for three years 7.30 bonds at par. The first issue of bonds were dated the nineteenth of August; the second, the first of October.

The third loan was negotiated with the associated banks on the sixteenth of November. The Secretary agreed to issue \$50,000,000 in six-per-cent. bonds to them, at a rate equivalent to par for bonds bearing seven per cent. interest. This negotiation, though less favorable to the Government—considered purely as a money transaction—than the two prior loans, in some respects was more advantageous. There was no contract for reimbursement, and no immediate expense on the Treasury beside preparing and issuing the bonds. An option also was given the associated banks to make a fourth advance of \$50,000,000, after the first of January, on the same terms as the first and second advances, if required by the Secretary.

Although the Secretary had assured the banks that he would not issue United States notes payable on demand until other ways of getting money were exhausted, he seemed to forget what he had said to the banks, or treated his understanding with them lightly, for in November he began to issue such notes freely and without adequate cause. At no time had the Treasury been in a desperate condition. On the other hand, the banks furnished him with money almost as fast as needed; hence he was not justified in throwing demand notes into circulation. But by so doing he very soon caused embarrassment among the banks, as had been predicted. The banks were pressed to receive the notes on deposit, and could not decline them without diminishing public confidence in the Government credit, nevertheless they could not give currency to them without impairing their own specie strength. In truth, the notes became at once a substitute for coin withdrawn from circulation, and clearly implied a purpose of resorting to Government paper issues to carry on the war. As soon as they appeared the reflux of coin to the banks sensibly diminished. During three weeks from December 7th the reserves of the banks in New York fell to \$29,357,712, a loss of \$13,000,000 within that short period, and on the twenty-eighth of December, after conference with the Secretary, in which he persisted in adhering to his policy, the banks suspended specie payments. As the payment of specie by the Government depended on the action of the banks, it, too, suspended specie payments at the same time.

Thus, the policy of the Treasury in requiring payments to be made in coin, contrary to the advice of the banks and the intention of Congress expressed in the repeal of the Sub-Treasury law, and in issuing of demand Treasury notes though advised to do otherwise, speedily brought the Secretary to the end of his road. Unhappily he dragged the banks down with the Treasury, and entailed a long train of evil consequences on the country, among the greatest of which was the untimely recourse to legal-tender notes, the history of which will be soon given. Had he adopted the policy recommended by the banks, while this step probably could not have been averted, it would have been delayed, and the evil effects flowing therefrom would have been far less than those which followed.

At the time of suspending specie payments the banks held over \$40,000,000 in coin, and could have continued their advances to the Government had the Secretary adopted the policy they recommended. He was "apparently unconscious of the resources of the banks, through the aid of bills of exchange, certificates of deposit, drafts and checks, as well as notes, for the transaction of any volume of business yet required by the exigencies of the country." Were not payments to the amount of twenty millions daily effected

in New York City without coin and notes? The daily settlement of an additional million or so of Government indebtedness could have been easily and safely effected by employing the same machinery. Before entering into the conference with the banks on the twenty-eighth of December, some of the members endeavored to impress on the Secretary the importance of continuing his relation to an organization which combined so much experience, capital and financial resource, and which was capable of rendering to the Government invaluable services. If an irredeemable paper currency were inevitable, it would be more expedient, it was contended, and more economical, for the Government not to become involved with the banks. As a suspension of coin payment was soon to be declared, it was practicable to preserve from distribution the forty millions of coin then owned by the banks, while the one hundred and fifty or sixty millions of Government bonds, held by them could be used as a special security for \$200,000,000 of notes which could be immediately issued by the associated banks from their own plates, and be verified and made National by the stamp and signature of a Government officer. Thus supported by coin and bonds, the notes would serve the temporary purpose required, with little, if any, deterioration below coin value, and the banks could continue without difficulty to make their advances. But the Secretary declined to entertain the recommendation, preferring the system of National banks, which he had just strongly recommended in his report to Congress.

In the light of subsequent events, Mr. Coe is fully justified in saying that "it must be admitted that this suggestion possessed true merit. It would have preserved," he affirms, "a coin basis for the currency, prevented the destructive expansion, relieved the Government from its almost inextricable entanglement with the circulating notes, and compelled an early restoration of coin payments. And, with a proper use of the expedients and machinery of banks, by utilizing their form of effecting exchanges, which was subsequently applied by the Secretary in the National banking system without reserve, this amount would have been found sufficient. When we review the excessive cost of the war, the vast increase of the National debt, and the public and private evils which a profuse currency have entailed upon the country, it must appear evident that, in failing early to use and to exhaust all those means and appliances of commerce and banking that the experience of other civilized nations have proved most effective, a great and irreparable mistake was made." Such is the opinion of a man combining life-long study and practical experience in finance—an opinion, moreover, sustained by many of the most thoughtful and competent minds of our time.

At the very beginning, therefore, Secretary Chase committed two

great errors which precipitated the issue of legal-tender notes, and which might have been avoided had he followed the counsels of men far wiser and not less patriotic than himself.

It has been maintained that the specie in the banks rightfully belonged to the holders of their notes, and therefore ought to have been used in redeeming them. The banks, it may be answered, did expect to redeem their notes; they had no intention of permitting their billholders to suffer. They reluctantly decided to delay payment, but were confident that their notes would not depreciate in value. It was their duty to deal justly by all, but if they had determined to redeem their notes until exhausting their specie, the consequence would have been the redemption of the notes first presented, and a failure caused by lack of coin to pay the remainder. This would not have been fair treatment of the billholders. The notes of the State banks were redeemed in those of the Government.

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## THE MONETARY QUESTION AND THE LATIN UNION.

[CONCLUDED FROM THE SEPTEMBER NUMBER.]

What has been the influence of the great economic evolution upon the most civilized nations of the globe? What have been the consequences of the uninterrupted depreciation of silver money and of the extension of the new methods of liquidation?

France, the head of the Latin Union, is most interested in the monetary question. After sustaining the double standard, it had, in 1878, to move a resolution tending toward the suppression of silver money. Since January 1, 1879, our mints have coined no more silver five franc pieces, and all the seductions of the United States at the Conference of 1881 could not induce the French Government to give up the decision to arrest the growing importation into France of foreign coined silver. Notwithstanding this measure of safety the circulation of silver has lessened considerably. The bank note has taken its place, and the Bank of France is punished for recommending its employment by a sensible increase of the silver of its metallic reserve. It is estimated that from 1795 to 1882 silver five franc pieces were coined to the amount of 5,060 million francs, and now there are about  $2\frac{1}{2}$  milliards in existence. The Bank of France holds more than a milliard of these, or nearly a-half, while its fiduciary circulation has increased to 2,977 millions. It hardly seems probable that this simultaneous progression of the circulation and reserve is due solely to the increase of business and banking operations, for within nine years our importations have diminished by 445 million francs, or 14.68 per cent. With silver at its

present value, the enormous stock of it in the metallic reserve of the Bank of France can only confirm the Government of the Republic in maintaining the Latin Union and suppressing the coinage of silver. This idea was evident at the Conference of 1878, when M. Léon Say said that "the rate of discount is determined by the situation of the reserve of gold, and the reserve of silver has no influence in this respect. Every increase of the silver reserve results in making the reserves of the bank more uncertain. The fixity of the rate of discount, and consequently of the commercial situation, may be seriously compromised by it." Silver loses eighteen per cent, from the rate fixed by the law of *germinal*, year XI; the  $2\frac{1}{2}$  milliards existing suffer therefore a depreciation of about 450 millions, a large part of which, 180 millions, would affect the Bank in case of realization. Governmental ideas, undecided now as of old, do not seem favorable to the triumph of the theories of the bimetallists. Experience, the poor success of the American conferences, and the progress of compensating establishments, counsel a reserved attitude on questions of doctrine and the maintenance of the present state of things, or its extension if necessary to protect the great interests dependent upon the international contracts of 1865 and 1878.

In Belgium the disposition of the government has not changed in twenty years. In all the meetings since 1865 the delegates from this country have not ceased to invoke economic laws, and to lay stress upon the inferiority to which an important transformation in the domain of credit would condemn the nations with a double standard. The coinage of silver has never been considered by Belgium but as an expedient to maintain a satisfactory circulation and to furnish States deprived of a metallic stock with the means of creating one, and its representatives have always been hostile to the unlimited issue of silver pieces. The depreciation affecting silver since 1878 has only strengthened the conviction of the Belgian Government. The convention of 1878 can only be prolonged, but the Cabinet of Brussels will surely condemn the coinage of silver as injurious to its National interests. It is shown that Belgian silver pieces are in existence to the amount of about 410 millions, or seventy-four francs to each inhabitant. Of these 410 millions, 274 millions circulate in foreign countries, and principally in France. The continuation of the coinage would therefore increase the already excessive stock of silver pieces disposed of by this country in proportion to its population and would aggravate its loss. On the other hand, putting an end to the convention, as recommended by M. Cernuschi, would cause no less serious inconveniences, as each nation signing the treaty of 1878 would be obliged to take back its silver money circulating abroad; Belgium would then suffer from plethora in the interior, and from a want of money for for-

eign relations, since its gold circulation, alone of use in international affairs, is extremely limited in proportion to the sum total of its commercial relations. Here, consequently, there will be no adhesion to the system of bimetallism, and the *statu quo* will be the extreme limit of the concessions to be obtained from the Belgian Government.

Switzerland, also, cannot be expected to favor an extension of the employment of the white metal. The delegates of the Confederation have been as decided as those of Belgium in the defense of economic principles at the different conferences; they have always been opposed to the adoption of bimetallism, except temporarily, and to facilitate a communion of interests between other nations and Switzerland, and in official circles there is no concealment of the wish to adopt some day the yellow metal as the sole standard.

Events in Italy since 1878 show the favor of Government toward new monetary legislation. Bimetallism before 1865, when its finances were in a bad condition, its budgets presented deficits, its metallic circulation was almost nothing, and the forced currency was permanently established. Italy has gradually changed its ideas, as its economic condition has been reconstituted, and it has not hesitated to manifest its preference for the international metal, gold. Its two great acts of 1883, the abolition of the forced currency, and the obligation imposed upon Italian banks to have two-thirds of their reserves in gold, leave no doubt upon this subject. One great reason, however, would prevent its objecting to a renewal of the Union, that is the obligation it would be under to redeem the silver pieces it has coined during the last twenty years, the greater part of which is now abroad. These silver pieces amount to about 364½ millions, and nearly three-fourths of them have entered into the circulation of neighboring powers, chiefly of France. The economic situation of the kingdom has not yet allowed the Government to return absolutely to specie payment, and if Italy had now to take back its silver money, it would be forced either to issue an equal amount of government securities, swelling its already heavy debt, or to dispose of a portion of the gold that it has with such difficulty stored up, with the view of assuring the suppression of the forced currency and the return of specie payment. For all these reasons it is not Italy's interest to reject the convention, but there is no doubt that this country recognizes that bimetallism is more than ever impracticable.

Greece follows almost unconsciously the general tendency. A late newspaper of Athens says, that the Greek five-franc pieces bring a premium of one per cent. over the similar foreign coin of the Latin Union, and the one-franc pieces command a premium of five per cent. The conventions of 1865 and 1878 oblige Greece to

receive the silver coins of the other powers of the Latin Union on the same footing as its own, hence the present situation is a violation of the contracts, moved perhaps by the secret wish to repudiate silver and adopt the single gold standard.

Passing from the nations of the Latin Union to those which have not adhered to the conventions of 1865 and 1878, we find the same economic phenomena and the same resistance to the unlimited adoption of silver money.

Great Britain has been faithful to the act of 1816 and to Lord Liverpool's ideas; it possesses the single gold standard, and only uses silver for small money in a proportion legally fixed at the maximum of fifty francs for each payment. Its resistance to any change of its system has increased with the progress of economic international relations. Formerly the silver question was important in its eyes by reason of its relations with India. Before 1872 its remittances to this country to pay the expenses of administration and the balance for Indian exports to England were chiefly made in money. Since that date the proportion of metal has sensibly diminished, and of late years bills of exchange have covered almost entirely Great Britain's operations in India. Even in these Asiatic possessions the use of the white metal has therefore suffered a profound revolution, and, in contact with the mother country, the English colony has taken new financial habits, in which the instruments of credit play a preponderant part. The silver committee recognized this lately, when inquiring into the causes of the depreciation of silver it declared that the demonetization of the German thalers had perhaps accentuated it, but that it would have been produced without that by reason of the conditions arising in India, which have in part made useless the payments in silver of the commercial balance due this country, and have allowed its accomplishment chiefly by government bills of exchange. It would be puerile to hope for England to show any favor to the silver standard, and the more so as the country seems inclined to have even its small money of gold.

In Germany the demonetization of the thaler has been a complete success, and the development of the banks leaves no hope for the adversaries of the gold standard.

Holland and Denmark are of the same opinion, and political and economic reasons oppose their giving up their first impression.

Less than any others can the Scandinavian States be expected to favor bimetallism; the representatives of Sweden and Norway have always opposed it; the success of the monetary convention, signed in 1873 by the Swedish Government and Denmark, is assured; it has resulted in the suppression of silver as legal currency, and there is no hope that the kingdoms of the Scandinavian Union will

give up a determination dictated by the interest of their inhabitants and by a superior understanding of economic laws.

In presence of a situation made so clearly evident, in France by the locking-up of the silver pieces in the coffers of the Bank, in Italy by the obligation of the banks of issue to have two-thirds of their reserve in gold and but one-third in silver, in Belgium by the refusal of the National Bank to receive foreign silver coin, in Greece by a premium upon the National money, it would be vain to expect a return of European States to the white metal or to attempt the legal imposition of methods of settlement, which customs energetically refuse to employ. From this point of view the creation of the Latin Union has been a benefit. The discussion of the coinage of silver by the nations bound by the convention, and the fixing of the quantity by treaty, have saved the European Continent from dangerous accumulations of depreciated and useless metal, and perhaps from irremediable disasters. The limitation of the silver coinage, followed by its suppression, has certainly been the safe-guard of our metallic circulation, and has in a measure slackened the depreciation, which has been affecting silver for twenty-five years, and which absolute liberty of coinage would have violently precipitated. At the same time it has served as a dike to the overflowing argentiferous production of the new world, which otherwise would have found a ready market in our continent, and would have allowed the United States to obtain without trouble, but not without profit, the stock of gold money that the practical mind of its inhabitants strives to constitute to the detriment of Europe.

But the conference of 1865 had another object no less worthy of attention. It was to strengthen the bonds that the recent discoveries of science had created between nations, and to tend toward the unification of the means of payment, just as the commercial treaties preceding it had aimed to unite commercial interests by doing away with natural or artificial barriers.

Has this object been attained? It has, assuredly, in the restricted circle, to which the conference limited its action. The unification of the gold and silver moneys of France, Belgium, Italy and Switzerland, has drawn nearer the factors of production of these different peoples, it has increased the value and number of their reciprocal operations, and made their relations and interests more intimate. The advantages of the system have won appreciation beyond the limits of the Union, and outside nations have hastened to apply to their internal affairs the principles of the conference of 1865. The conference of two years later, held at Paris during the Universal Exposition of 1867, considered the question under this special aspect. Twenty States were represented, and attempted to realize the aspirations of poets and economists, the idea of monetary uniformity.



Among them Austria expressed its desire to take part in the efforts of France to secure a universal monetary circulation. This country had made, January 24, 1857, a monetary treaty, uniting it with all the States of the Germanic Confederation; the war, ending in the catastrophe of Sadowa, separated it violently from the Confederation, and liberated it from its former engagements. After a conference held at Vienna in April, 1867, the Austro-Hungarian Government proposed to France a monetary alliance based upon the gold standard. A preliminary convention was signed some months later between Austria and France, and the Cabinet of Vienna engaged to coin gold pieces of eight and four florins, equal to our twenty and ten franc pieces of the same metal, and to put them in circulation in both parts of the empire. This convention only began to be executed in 1870, by virtue of the law of March 9; at this time the Austrian Government issued 2,140,088 florins, 75 kreutzers of the new money, and gave to the principle of monetary uniformity a sort of solemn consecration by inserting in a parliamentary declaration, "that the Austrian money should be the common money of the two countries," and that the minister of finance should present "as soon as possible to the two parliaments a bill designed to establish the exclusive gold standard following the decisions of the International Monetary Conference of Paris."

The States of the Latin Union and Roumania had their public offices accept the Austrian gold pieces of the international type, and Austria responded with a decree of reciprocity in favor of their gold moneys. It would be difficult to deny in the face of these facts the influence of the ideas put forth by France in 1865, and the interest attached by all advanced nations, except two, perhaps, to the creation of a uniform international money. The progress, expected by the promoters of the Latin Union, has been sensible, and would doubtless have been still more considerable, if the delicate question of the standard had not been engrafted upon that of unification. Austria, Sweden, and other Continental States, were won over to the principal idea of the conference of 1867, but they did not believe its realization possible without the simultaneous adoption of the single gold standard. Nearly all attempted to change it from theory to practice, and following the example of Austria, Sweden, whose monetary policy has never deviated from the gold standard, consented to coin ten-franc gold pieces called *carolins*, and to give them legal currency as trade money.

This idea of unity influences the minds of European statesmen as much now as in 1865 and 1867, and it is the more powerful, since increased means of communication have made international relations more frequent and considerable. We think the principle should be not only defended but even extended. The germ of this

thought was in the convention of 1865, of which article xii. said, that the right of accession to the convention was reserved to any other State that should accept its obligations, and should adopt the monetary system of the Union, so far as relates to gold and silver.

The reasons, that twenty years ago might have been opposed to the extension of this policy, have disappeared before the incessant and marvelous progress of civilization. Unity of money seems as indispensable as the treaties of commerce, whose aim is to facilitate international transactions, and to equalize as much as possible between nations the advantages resulting from their economic relations, and seems also the natural consequence of the extension of means of communication. It would be inexplicable, at the moment the natural barriers between nations are being lowered, that more insurmountable ones should be raised artificially by means of laws. Wars of tariffs have never proved successful to the nations beginning them, and wars of exchange can only profit minorities to the prejudice of the general mass of individuals. We think, therefore, that the existence of the Latin Union is still necessary to the development of international relations, and to the interests of the countries that have hitherto employed the two precious metals. The occasion seems to us more propitious than ever for extending its action and influence to other nations, thus far separated from us on this point, but whose ideas have some analogy with those that prevailed at the conference of 1865, we mean Austria-Hungary and Spain. The first step has already been taken with regard to Austria, as has been said; it was attempted after the signature of the Latin Union, and a special conference in 1867 between delegates from the cabinets of Paris and Vienna resulted in a provisory treaty. This treaty was the faithful expression of the ideas of the Austrian Government, and it shows the importance attached to the creation of an international money; its fault, however, was that it moved within too restricted limits, the question of the standard was considered too much, and the reform could not be fully accepted without the suppression of silver money. This condition made the treaty a failure; at Vienna, as at Paris, the base of operations appeared too narrow, and prevented the further progress of the negotiations.

France could not promise for itself, or for the States of the Latin Union, to suppress the silver standard, when the convention of 1865 was based on the ratio between the two metals, and the state of Austrian finances would perhaps have made rash and premature the application of a very radical system. It is certain that the principle of unity was proposed and admitted in Austria and in France, and its advantages must have been plainly understood by the statesmen of Austria to make them go as far as they did.

The resumption of negotiations offers no difficulty, and they might be based on the proceedings of the special conference of 1867. Objections might be raised on account of the situation of the empire with forced currency since 1859, and with budgets, for Hungary at least, showing a deficit every year. This argument has rightly made some impression on the States of the Union, but it is insufficient to stop negotiations urgently demanded by the general interests of the people of South-western Europe. Italy is a recent example to prove that the forced currency is not an obstacle to the application of monetary unity. Is the present monetary situation of Austria graver than was that of Italy when the Latin Convention was signed? Assuredly not, and statistics show it conclusively. The entrance of Austria into the Latin Union, under the same conditions as have regulated the monetary circulation of Belgium, Italy, Switzerland and Greece, and with the question of the standard reserved for circumstances to bring it up, would offer no greater dangers than was presented by the accession of Italy, and it would give a market, of which Austria would surely take advantage, for the silver money stored away in the vaults of the Bank of France, or of the credit companies. It would draw closer the ties uniting us with this great productive country, whose commercial relations with France have ever continued to increase.

To Austria-Hungary Spain might be joined. At the time of the conference of 1865 the situation of this country did not allow of its sharing the monetary aspirations of France. In the conference of 1867 its representative pronounced for the adoption of a uniform money by all civilized States. Since then Spain has been drawn into the progressive current of Europe; it has undergone a transformation, full of promise for the future, and the consequence must be a need of more numerous instruments of credit or payment than in the past. The monetary conditions of Spain are no more unfavorable than those of Austria, and of late years its government has inclined to make its metallic pieces more like those of the Latin Union. There are some questions of detail to be solved, which, however, can be no obstacle in the way of an understanding between Spain and the powers united by the convention of 1865, and which cannot adjourn the accession of this country to the Latin Union.

The monetary question, from its double point of view, merits the serious attention of continental governments, and France particularly cannot neglect it without risking the loss of the fruit of its previous efforts. The convention of 1865, renewed in 1878, has been in monetary matters but the consecration of the international convention of 1872, which substituted the meter for the various measures of a large number of countries. Its renunciation would be a fault from which all Europe would suffer, it would carry us back to

the multiplicity of moneys, and would thus create artificial obstacles to the free expansion of the productive forces of the continent. M. Cernuschi, the indefatigable defender of the double standard, seems not to have seen this danger in protesting against the renewal of the Union, and in making of the present attitude of Italy a case of rupture. He has not understood that the absence of a contract limiting the coinage of silver money in countries possessing a certain quantity of it, would have the immediate result of pouring into disarmed France all the silver pieces of Belgium and Italy, whose present governments do not conceal their preference for the gold standard, and that thus the system of balance advocated by him would be sapped at its foundation.

There would be, in the adoption of this measure, another danger, which patriotism calls upon us to note: the rupture of the economic alliance, concluded in 1865 between the nations of the Latin Union, would cause France to lose in part the legitimate influence it has won in Europe, and would throw into the arms of Germany the States thus far bound to it by the monetary question. Since 1870 the policy of Germany has been the isolation of France and the hegemony of Germany; this primacy was formerly our lot; events have made us lose it, but nevertheless have left us an economic preponderance which commercial treaties and monetary conventions have contributed to assure us. It must be preserved at any price; the friendship of nations is more solid when cemented by common interests. We hope that our Government will use every effort to extend the benefits of the Union to Austria and Spain, and to maintain for our country its civilizing mission. The basis upon which negotiations may be established are naturally indicated by circumstances; they are the definitive suppression of the coinage of silver money, the adoption of gold as a uniform international money, the rigorous obligation for the allied States to respect the clauses of the contract, the abrogation of the royal decree relating to the composition of the reserve of the Italian banks of issue, and finally the engagement of the powers of the Union on the expiration of the new convention, to redeem at their own charge and at the face value, all the coins issued from their respective mints.

O. A. BIERSTADT.



## BANKING IN THE ARGENTINE REPUBLIC.

The Department of State has issued a report on the credit systems of the principal countries of the world, which contains much useful information. It has been gathered by American consuls. In some cases meager reports have been made, in other cases they are quite full and interesting. One of the best is by E. L. Baker, on the credit and trade systems of the Argentine Republic. An extract relating to the principal banking institutions of the country we reproduce here.

### THE PROVINCIAL BANK OF BUENOS AYRES.

This institution was founded as early as 1822 by a meeting of foreign and native merchants, presided over by Don Manuel García, then finance minister. Its first operations were merely those of a discount bank. In 1826 it was converted into a National bank, with a capital of \$4,400,000 gold, mostly furnished by the Province of Buenos Ayres, under the name of the "Bank of the United Provinces," and became a bank of issue, its circulation amounting to \$2,694,856. This in turn was merged into the "*Casa de Moneda*," in 1836, and became under Rosas, the fiscal agent of the Province of Buenos Ayres. By this time its circulation had increased to \$15,500,000, but the exchangeable value of its notes had gradually depreciated until they were then only worth about fourteen cents to the dollar, and they continued to depreciate rapidly and ruinously, many persons losing fortunes by the violent fluctuations. In 1839 the amount of the circulation had increased to \$24,000,000, and the value had correspondingly decreased, until in November of that year its notes were worth only five cents to the dollar. But having the sanction of the Government as legal tender, and there being no other money in circulation, the people were obliged to use them. In 1840, by order of Rosas, \$12,000,000 more were emitted, and the unfortunate paper went down to about three cents to the dollar. During the next six years there were no further emissions, and the value of the notes went up to eight cents to the dollar; but during 1846 the circulation, by order of Rosas, was increased by \$75,000,000, and the value of the currency went down to about three cents to the dollar, the amount at that time in circulation reaching to \$126,000,000. After the fall of Rosas the emissions grew more frequent, and by 1853 amounted to \$91,000,000 additional. Then was invented the scheme of improving the value of the currency by burning, and about \$7,000,000 were thus destroyed by the Government in 1853, which somewhat enhanced the value of the remainder. But in 1859 came on the civil war against General Urquiza, and a new emission of \$85,000,000 took place, and the value again went down to four cents to the dollar. In 1861 a second civil war broke out, which called for the emission of \$100,000,000 more, thus further depreciating the currency until its value was almost nominal. In this emergency a law was passed (1864) prohibiting any further emission. At the same time monthly burnings by the bank were resumed, whereby \$55,000,000 were destroyed.

At the beginning of 1864 the total circulation of the bank amounted to \$340,000,000, with a fluctuating value of from three to five cents to the dollar. These fluctuations, however, were so ruinous to tradesmen and laborers, and so seriously affected the price of the staple articles of produce, that there was a general outcry among the people. Schemes were proposed for definitely fixing the value of this currency by law, and finally, in 1866, a National exchange office (*oficina de cambios*) was established, where the paper was freely redeemed at twenty-five "pesos" to the gold dollar, being four cents to the paper dollar. Since this time the currency of the Provincial Bank has remained steadily at this figure, the paper, or four-cent dollars, in the absence of silver coin, affording an excellent substitute for small change. The benefit to trade and business which was effected by this determination of the provincial Government to redeem its bills was incalculable. The ordinary currency of the bank up to the present time has been in notes of \$1 (4 cents), \$5 (20 cents), \$10 (40 cents), \$20 (80 cents), \$50 (\$2 gold), \$100 (\$4 gold), \$200 (\$8 gold), \$500 (\$20 gold), \$1,000 (\$40 gold), and \$5,000 (\$200 gold). Besides these, in late years, it has also issued specie or gold notes of various denominations. The original notes of the bank were printed in London. They were poorly done and easily forged, but for a long time the National Bank Note Company of New York has furnished the supply. All these various notes are now, however, by law required to be retired from circulation and replaced by bills representing National currency. The total amount of its emission at the present time is about \$400,000,000 of currency notes, which, at four cents to the dollar, is equal to \$16,000,000 gold, and about \$20,000,000 of gold notes, making a total circulation of about \$36,000,000 gold, and which is at any time redeemable in gold at the *oficina de cambios*.

#### PRESENT CONDITION OF THE BANK.

With this eventful career and these varied fortunes, the Bank of the Province of Buenos Ayres to-day stands in the front rank of the moneyed institutions of South America, and few establishments of its kind are able to present such a development of credit and prosperity, backed and supported as it is by the resources of the province itself, and annually capitalizing the immense profits it receives from its business. Its capital to-day amounts to 35,000,000 of gold dollars, and its deposits to \$30,000,000, while its operations exceed \$100,000,000. It enjoys great fiscal privileges, and in bankruptcy cases has a priority over all other creditors. No other bank in the Province of Buenos Ayres has the right to issue, and its bills are legal tender in the payment of debts. It receives deposits of not less than \$16, and these deposits are entitled to interest if not withdrawn before the expiration of sixty days, after which time they bear interest from the day of deposit. All interest not drawn before the end of the year is added to the capital. All deposits at interest are entered in a book which the bank delivers to depositors, in which all payments of interest and capital are entered; and all interest is payable after the first of the month or on withdrawing the deposit. Thrice a week the bank discounts bills with two signatures at ninety days' sight, and promissory notes at six days to four months on condition of payment at maturity. It draws at three days' sight on its branches at La Plata, Dolores, San Nicholas, Chirilcoy, Mercedes, Lobos, Salto, Azal, Baradero, Chascamus, Tandil, Viente Cinco de Mayo, Exaltacion, San Pedro, Per-

gamino, Las Flores, Arrecifes, Bragado, Juarez, San Jose, Belgrano, Barracas, Ayacucho, and Bahia Blanca. It sells exchange on all the principal cities of Europe, makes loans to the National and provincial Governments, as also to all industrial establishments planted in the interior, with guarantee, and transacts all the fiscal business of the province with Europe. This bank, until the recent crisis, was in the habit of advancing money on promissory notes or *pagares* on the following terms, to wit: 1st, to holders of real estate without any charge except the interest and requisite stamps for renewals; 2d, to traders, requiring only a small percentage of amortization payable every ninety days. These facilities have since been very greatly curtailed, and at present advances are made on the following terms, to wit: 1st, to holders of real estate, not less than twenty per cent. of the loan to be paid off every ninety days, thus extinguishing the loan in a year and a-quarter's time; 2d, to traders, on condition that fifty per cent. be paid off at ninety days and the balance at one hundred and eighty days. At the expiration of such term, and providing the bills are met, the borrowers can make fresh application.

The management of the Provincial Bank consists of a president and sixteen directors, nominated annually by the Governor, and confirmed by the Provincial Senate. Its banking house is one of the largest and handsomest in the western hemisphere. The president of its board is now ex-Minister Uriburu.

#### THE NATIONAL BANK.

The National Bank was chartered by the Argentine National Congress in 1872, with an authorized capital of \$29,000,000, of which it was provided that the National Government should subscribe \$2,000,000 and private individuals \$5,000,000, the balance being reserved. Subsequently, in 1876, the authorized capital was reduced by Congress to the sum of \$8,000,000; and in 1882 the stock was again, by Act of Congress, authorized to be increased to \$20,000,000, of which \$6,000,000 were taken by the National Government. The charter of the bank runs for twenty years, and provides for at least one branch in each province. The shares are payable to order or bearer, as desired; in the former case they are transferable only on the books of the bank. The institution is not permitted to buy or make loans on the credit of its own stock, but can receive and dispose of it in payment of insolvent debts. The franchises of the bank are as follows: 1. To emit notes payable at sight to bearer, holding a metallic reserve of at least one-fourth part of the circulation. 2. To issue notes or obligations payable to order or bearer at fixed times. 3. To discount, receive deposits, make loans and advances on promissory notes, letters of exchange, treasury orders, and every kind of commercial paper, whose time of maturity shall not exceed six months; but every direct credit exceeding \$100 must have the vote of the majority of the board of directors. 4. To open credits and contract loans with the National or Provincial Governments, with municipal or other corporations, firms, and individuals, under a guarantee of bonds or paper negotiable in the market, or which may receive the approval of the board; in the cases of loans to the nation or to the provinces a two-thirds vote is required. 5. To make and accept debts, buy and sell exchange, and give letters of credit. 6. To make loans on bullion of the precious metals. 7. To make collections and payments on foreign accounts. 8. To establish agencies and open and main-

tain relations with foreign commercial and banking houses, but the bank has no power to make loans to institutions or persons who are not domiciled in the Republic, nor can it take any part, directly or indirectly, in industrial operations, or loan money on mortgage.

The bank does not enjoy fiscal privileges in the republic, but it is provided that its credits shall not be inferior in point of preference to those of any other banking establishment organized by provincial law. The bills of the bank and all paper issued by it are exempt from taxation or stamp, and the bank and its branches not only act as National depositories, but all judicial deposits, National or provincial, must be made in these institutions.

The prosperity of this bank and the immense business it is doing are the wonder of all commercial circles. As showing the increase in its operations, I take the following figures from its balance sheets or statements for the years respectively named :

Items.	1876.	1883.
Paid-up capital.....	\$8,000,000 ..	\$20,000,000
Deposits .....	1,623,572 ..	12,481,927
Advances in accounts current.....	249,260 ..	14,488,241
Circulation.....	3,407,997 ..	11,500,430
Reserve.....	2,515,100 ..	5,112,167

The bank is administered by a president and eight directors, four of them elected by the shareholders and four nominated by the president and confirmed by the Senate, the active management being under the charge of a general superintendent (*jerente*), which post Mr. C. Diehl, a distinguished financier, has occupied for several years. Dr. Pacheco is president of the board.

These two great moneyed institutions are supplemented by two others, which also have most important offices to perform in the matter of effecting loans and giving credits. I refer to the Provincial Mortgage Bank (*Banco Hipotecario*) and the Provincial Pawn Office (*Monte de Piedad*) both located in this city.

#### THE HYPOTHECARY BANK.

This institution was founded in 1871 by the Provincial Legislature. According to its statutes it is really a dependence of the Provincial Bank, although it has its own board of directors. Its object is to facilitate and make loans on mortgage, to be paid on long time by annual amounts, which include the interest, the amortization, and the commission of the bank. Its transactions have already reached to very large proportions. Its operations consist in issuing cedulas, or certificates of credit, which are transferable, based on real estate mortgages made in its favor; in collecting the amounts falling due to the bank from the mortgagor, and in paying the interest falling due to the holders of cedulas. These cedulas are issued in series; all those which bear the same interest have the same per cent. of amortization, and the same times for the payment of interest belonging to the same series. By the terms of the law the interest cannot exceed eight per cent., nor can the amortization be more than two per cent. nor less than one per cent. The cedulas are made payable to bearer or to order, and in the latter case they are transferable by indorsement. They circulate like other securities, and are bought and sold on the market. In all cases the cedulas bear the same rate of interest that the bank collects from the mortgagee. The value of the real estate mortgaged cannot be less than \$2,000, nor can the loan be less than \$500, and the loans are not permitted to exceed one-half of the value of the property mortgaged. The annual amount which



the bank receives is divided into quarterly payments, and the cedulas, which at present the bank is issuing, are series E and F, which have twenty years and one hundred days to run, six per cent. interest, two per cent. amortization, and one per cent. commission, in all, nine per cent., or two and a-half per cent. quarterly. The mortgagor, however, is at any time allowed to release his property in whole or in part by anticipating the contract. The manner of making the loan is as follows: The applicant makes his request in writing, designating the real estate which he offers to mortgage by exact boundaries, accompanied by his title deeds and abstract, his tax receipts, and the amount of the loan which he desires to effect, the bank furnishing the forms and the tables of amortization, and paying the amount of the loan in cedulas. The Provincial Government is responsible for all the transactions of the Hypothecary Bank. Besides the operations mentioned it has likewise the following franchises: 1. To make financial arrangements, with the consent of the Governor, to facilitate the placing and the payment of interest on cedulas held abroad; 2, to open credits within and without the province with the consent of the Governor of the province; 3, to organize and open a Savings department, on such basis as the legislature may sanction; 4, to make loans to farmers and agriculturists on such terms and conditions as the legislature may provide; 5, to open credits for the erection of houses under special conditions and guarantees; 6, to make loans to municipal and other corporations under such guarantees and securities as may be agreed upon; 7, to make loans for the drainage of lands, taking into account the increased value which the lands will thus acquire, and under such regulations as the legislature may provide; 8, to establish, with the consent of the Governor, such branches outside the province as may be deemed necessary.

The Hypothecary Bank is under the direction of a president and eight directors, nominated by the Governor and confirmed by the Provincial Senate, together with an advising attorney, a judicial agent, and a notary. Señor Llamli Campbell is president of the board.

#### PROVINCIAL PAWN OFFICE.

The Provincial Pawn Office was organized in 1877 by the legislature of the Province of Buenos Ayres. Its object is to loan money on pledges or pawns, in the discretion of its officers, and according to a classification which is made periodically. The rate of interest on these loans is fixed by the executive board every six months, and is invariably to be paid in advance. The time allowed on these loans varies from one to twelve months. The loan is for two-thirds the value of the article pawned. The certificates given (*polizas*) are made transferable by indorsement, and express the nature, condition and quality of the article pawned, its valuation, the amount of the loan, the rate of interest, the time allowed, and the date when the amount becomes due. The establishment operates with money advanced by the Provincial Bank, in account current, with mutual interests. The *Monte de Piedad* is under the direction of a president and an executive committee of five members, nominated by the Governor and confirmed by the Provincial Senate. The law further authorizes the establishment of these public pawn offices in all the cities of the province, under the same regulations, at the request of their municipal authorities, and with the approval of the Governor.

## BANK DISCOUNTS AND CREDITS.

In regard to discounts and credits, the banking institutions I have mentioned afford the usual facilities, as do also several well-known loan and discount banks located in this city, among which may be named the London and River Plate Bank (Limited), under charter in England, with an authorized capital of \$10,000,000, of which \$7,500,000 has been paid up, with a reserve fund of about \$800,000; also the English Bank of the River Plate (Limited), with an authorized capital of \$7,500,000, and a paid-up capital of \$5,000,000, established about a year ago; also the Bank of Italy and the River Plate, with a paid-up capital of \$1,500,000 and a reserve fund of \$200,000; also the Carabassa Bank, a private native bank, which does an immense discount business, and enjoys a large share of public confidence. With all these institutions discounts are conventional, according to circumstances, but generally about seven per cent., and they charge nine per cent. on debit balances in account. On deposits in account current they allow three per cent.; on deposits subject to thirty days' notice of withdrawal, three and a-half per cent.; on deposits for ninety days fixed, four per cent. The facilities offered by these banks are availed of by all classes, merchants and tradesmen, owners of large estates, and the owners of one small house.

Moneyed men or capitalists, as a rule, only make advances or loans on property, on what are here called *retroventas*, the borrower being entitled to pay off the amount borrowed with the stipulated interest at any period before the expiration of the time mentioned in the deed.

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## THE POST OFFICE SAVINGS BANK SYSTEM OF CANADA.\*†

The enquirer into the origin and history of Post Office Savings banks in a new country must not expect to meet with what may be termed the "prehistoric" element. As applied to the Post Office Savings bank system in the United Kingdom, this term may not inappropriately be given to the condition of things existing in the three Kingdoms during the sixty years, or thereabouts, preceding the maturing and final development of that scheme in 1861, but which it is not the purpose of the present paper to discuss, further than to describe it as possible only in a country of dense population, where time and the operation of the laws of wealth had opened a gulf between the upper and lower strata of society, and where improvidence and squalor in the latter found among the former men of independent means with the leisure and philanthropic desire to take their humbler brethren by the hand and teach them lessons of frugality and providence. The successful launching of the Post Office Savings bank in the mother country afforded instant

\* A paper read before the British Association, Economic Section, at its meeting in Montreal, August, 1884, by J. Cunningham Stewart, Superintendent Money Order and Savings Bank Branches, Post Office Department, Ottawa.

† The Postal Savings banks have not as yet been extended to the Maritime Provinces, there being in these Provinces a system of Savings banks differing in organization, under the direct management of the Finance Department; nor has the system been extended to Manitoba and the Northwest, the demands upon the Department in that direction in matters of ordinary postal and money order accommodation having, up to the present, compelled the deferring of the establishment of Savings bank facilities.

relief from a condition of uncertainty and doubt begotten of the cruel and gigantic frauds which, from time to time, had startled society under the old Trustee Savings banks. In the circumstances of its birth, then, no parallel must be looked for between the Post Office Savings bank of Canada and the parent institution.

The successful engrafting of a Savings bank system on the machinery of the Post Office in England has been followed by the almost universal adoption by other nations, as well as, it is believed, by all the principal British colonies, of measures more or less akin to the original. This circumstance, added to the varied experiences of different countries, with the desire to interchange such experiences, has given birth to a Savings bank literature of especial value to those interested in postal Savings banks. It is possible, therefore, although the Post Office Savings banks by no means occupy the entire Savings Bank field in Canada, and are, as already stated, wanting in those earlier annals which give zest to the study of the parent system, that there are social and economic aspects under which it may be interesting to examine the Canadian system, and to these broader aspects may be added those features which are of peculiar interest to the accountant.

In the year 1867 there appear to have been in the Provinces of Ontario and Quebec regularly organized Savings banks at Toronto, Cobourg, Hamilton, Montreal and Quebec, with deposits amounting to \$3,489,000 at an average rate of interest of 4 per cent. Only three of these Savings banks now remain (1884), those at Hamilton, Quebec and Montreal. The proposition to adopt the Post Office Savings bank system in Canada was introduced in the Canadian legislature during the November session of 1867, being the first session after Confederation. Public attention had been attracted by the marked success of the British Post Office banks, and several private individuals had addressed communications to the Government urging the adoption of a similar measure in Canada. Among these may be mentioned Lawrence Hill, Esq., LL.D., and Mr. N. C. Wallace, of Woodbridge, near Toronto, the latter now M.P. for the West Riding of York, these gentlemen being at that time active co-workers in a philanthropic institution styled the "Vaughan Cent Savings Bank," which, when dissolved in December, 1868, shortly after the opening of Post Office Savings banks in the neighborhood, had a list of about four hundred depositors, principally of very small sums from ten cents upward.

The proposed legislation received little attention in the Canadian press. At that time party politics were dormant, and the measure provoking no hostile criticism, it inspired little comment of any kind. The scheme was presented to Parliament as part of a general measure for the adoption of "an uniform postal system" (in the words of the speech from the Throne). The measure was introduced in the Senate by the Hon. Mr. Campbell (now Sir Alexander Campbell, K.C.M.G.) then Postmaster-General. The Savings bank clauses of the measure were very briefly discussed; in the Senate, as in the House of Commons, where the bill received its second and third readings only on the last day of the session (December 20, 1867), the discussion being confined to the limit to be fixed for the deposits of a single depositor. The necessity for such limit was urged, not thereby to exclude from the use of the Savings bank persons outside the wage-earning classes—this being the fundamental idea in fixing a limit in the old British Savings banks—the same principle being followed in the British Post Office system—but to

guard the interests of the Canadian chartered banks whose working capital consists largely of deposits.

The fears on the part of those representing the banking interests that many of the deposits in those institutions would seek the Post Office Savings bank, may have been emphasized by the financial panic of October, 1867, which shook many of the Canadian banks, one succumbing altogether. Sixteen years' experience, however, has, it may be believed, satisfied the Banking institutions that they have so far little to fear from the Post Office Savings banks. To this result the limit fixed for one person's deposits in the latter, viz., \$1,000 (say £200 stg.), may have contributed. A really influential factor in swelling the deposits in the Post Office Savings banks may be found in the general fall in the value of money since the year 1880, the Post Office Savings bank rate of four per cent. remaining undisturbed. The subjoined figures (made up to June in each year), however, show that, while the deposits in the Post Office Savings banks have very largely increased since the year named, the deposits in the chartered banks themselves have never been so large as during the last five years, when low rates of interest have prevailed:—

Year.	P. O. Savings Banks.	Chartered Banks.	Average interest allowed by Savings Bank Departments of chartered Banks.		
1875	.... \$ 2,926,000	.... \$ 55,918,000	} 4 and 5 per cent.		
1876	.... 2,741,000	.... 59,516,000			
1877	.... 2,640,000	.... 58,444,000			
1878	.... 2,754,000	.... 58,946,000			
1879	.... 3,105,000	.... 58,659,000			
1880	.... 3,946,000	.... 69,742,000	3	"	"
1881	.... 6,208,000	.... 77,078,000	3	"	"
1882	.... 9,474,000	.... 89,505,000	3	"	"
1883	.... 11,976,000	.... 89,553,000	3 and 4	"	"
1884	.... 13,245,000	.... 87,341,000	3	"	"

The Canadian Post Office Act of 1867, in its Savings bank clauses followed very closely the British Post Office Savings Bank Act. Later legislation, in 1875, abolished the requirement that the Post Office Savings bank balance, as required by the Act of 1867, should be funded in Canadian government securities. The balance now forms part of the unfunded debt of the Dominion payable in Canada.

The system went into operation on the 1st April, 1868, at eighty-one of the larger places, including the chief cities, in Ontario and Quebec. The following year this number was increased to 213, and at present (July, 1884) the number is 343. The rules, so far as they affect the public, being almost a transcript of those of the British Post Office Savings bank, need not be more than touched upon here.

A depositor, when making his first deposit, signs a declaration that he is not already interested in any deposits in the Post Office Savings bank in his own name or any other. The postmaster or other officer receiving the deposit—which must not be less than \$1, and must not exceed \$300 in any one year (except by special permission from the Department first obtained, when any sum not exceeding \$1,000 may be deposited at once), or \$1,000 in all—gives the depositor a pass book, in which are entered the particulars of the deposit, affirmed by the official date-stamp of the office. The postmaster sends to the head office at Ottawa daily a list of the sums lodged with him for transmission, the keynote to the depositor's safety lying: 1st. In the fact that in the head office only is his account kept; and 2d. In the requirement that he must see that he gets for every deposit paid in a direct receipt from the head office by return of post.

A tabular statement exhibiting the operations of the Post Office Savings bank from April 1st, 1868, to June 30th, 1884, will be found further on. From this the gradual expansion of the system may readily be seen. The number of deposits made in 1869 was 16,000, in 1884, 109,000; the amount deposited in 1869 was \$927,000, in 1884, \$6,441,000. The years from 1873 to 1878 were marked by no increase. Since then the increase in the deposits has been rapid. There are now 66,682 depositors' accounts in the ledgers of the bank, and the balance standing to their credit is \$13,245,552.64, being an average of \$198.63 (say £40 stg.) in the name of each depositor. There have been in all, since the beginning, 852,143 deposits and 410,259 withdrawals. Of the total number of transactions 101,461 (or about one in every eleven) have been at places other than where the depositors' accounts were originally opened, showing how far depositors take advantage of their privilege of moving from place to place and depositing or withdrawing at pleasure without change of passbook.

223,834 persons have opened accounts, of which 157,152 were subsequently closed. The total amount of interest credited to depositors has been \$2,570,904.42.

The following figures, compiled partly from an examination of the ledgers, and partly from estimate, show with approximate accuracy the depositors classified according to occupation, and the sums held in the Savings bank by each class:—

<i>Occupation.</i>	<i>No. of Depositors.</i>	<i>To credit of each Class.</i>	<i>Average of each Class.</i>
Farmers.....	14,000	\$4,722,000	\$337
Mechanics.....	7,850	1,422,000	181
Trust accounts and young children.	5,500	170,000	31
Laborers, including sailors.....	4,270	724,000	169
Clerks.....	3,000	522,000	174
Tradesmen.....	1,600	468,000	293
Farm and other male servants.....	1,470	277,000	188
Professional.....	1,572	392,000	249
Miscellaneous.....	1,680	215,000	128
Married women.....	12,000	2,350,000	196
Single women.....	10,500	1,275,000	120
Widows.....	3,240	708,000	214

\$13,245,000

Explanation of the large number of accounts held in the names of women, particularly married women, may be found in the difficulty which farmers and artisans experience in leaving their work to visit the post office, the consequence being that the accounts are opened in the names of their wives or other female members of their families.

The deposits are held in the two Provinces, Ontario and Quebec, in the following proportions:

	<i>Depositors</i>	<i>Amount.</i>
Ontario.....	57,296	\$10,932,000
Quebec.....	9,386	*2,313,000

The number of Post Office Savings banks in proportion to the number of inhabitants is as follows:

Ontario.....	279 or one for each 6,965 inhabitants.
Quebec.....	64 or one " 10,840 inhabitants.

It may be interesting to note that in the United Kingdom there is one Post Office Savings bank for each 5,000 inhabitants.

\* Half of this is held in the two cities of Montreal and Quebec.

The average number of depositors at each Post Office Savings bank is:—

Ontario.....	205
Quebec.....	145
United Kingdom.....	406

The proportion of depositors to population is:—

Ontario.....	1 to 34
Quebec.....	1 to 136

In England the proportion is 1 to 10, and Scotland 1 to 35, to which the proportion in the Province of Ontario bears a close analogy,

Depositors in the Canadian cities consist to so large an extent of persons from the surrounding rural districts that it would be valueless to pursue to a comparison, which would be interesting were the conditions alike, the question of what analogy may exist, in point of numbers, between depositors in Canadian centers of population and towns of like size in the United Kingdom.

In any attempt to measure the progress of the Post Office Savings Bank in Canada by that of its prototype, the different conditions of the two peoples, the old nation and the young, must be borne in mind.

In the older country not only are social and class lines strongly marked, but trades and callings are pursued in such fixed grooves as to narrow the outlet for individual energy, and to limit the choice of investments where small surplus earnings may be placed. In the new Dominion on the other hand (and the same thing is doubtless true of all countries and colonies in their youth) the very desires which brought men or their parents across the sea, and the sense of boundlessness of their country which possesses the people of the American continent, beget and keep alive an unrest and a movement which are destructive of all artificial barriers. There are fields of enterprise which cannot but attract the energetic and ambitious, and to every man are there possibilities in the acquisition of real property, sufficient to absorb all surplus wages, or income.

Materials are not to be had for illustrating this in respect to Canada itself, but it may be permitted to borrow an example from the Antipodes. Three-fourths of the mechanics in the city of Melbourne own the houses they live in.—(Ency. Br. 9th Ed.)

From the commonly accepted point of view that Savings banks are for the storing of the small sums which would otherwise find their way into the traditional "stocking" or "teapot," the wonder, on examination, is that the Canadian Postal Savings banks have attained measurable success at all.

It must be remembered that the \$13,000,000, in the Post Office Savings bank, by no means represent the entire savings deposits of the two provinces of Ontario and Quebec. The deposits in the chartered banks (numbering with their agencies, 222) have already been quoted as amounting to \$87,000,000. What proportion of this may fairly be termed savings deposits there are no available data for determining. To the chartered banks must be added 93 building and loan societies, whose liabilities to upwards of 30,000 depositors, according to the latest returns, were \$15,000,000. The old established Savings banks in the cities of Montreal and Quebec hold, in round figures, \$9,250,000 in the names of 42,297 depositors.

(TO BE CONTINUED.)

## STRIKES—THEIR CAUSE AND PREVENTION.

The last report of the Bureau of Statistics of Labor and Industries of New Jersey, prepared by James Bishop, contains an interesting and timely discussion of the above subject. Annual reports like this are now issued by several States, Massachusetts having taken the lead some years ago. The volume before us is rich in facts of various kinds, and which will prove helpful to those who are studying the many-sided question of labor. The following extract relating to strikes is an intelligent and candid discussion of one important side of this question:

The popular notion is that strikes are the outgrowth of trades unions, but an investigation will show that this is an error, and that many of the most aggravated ones have occurred where the only union was at the moment of the popular outburst. The employes of the railroads in 1877, and the freight handlers in New York and Jersey City in 1882, had no organization previous to their strikes. It is more correct to attribute strikes to the natural and inevitable movement of workmen from a lower to a higher condition. They are the protest of wage-receivers against their present condition, and indicate a desire for better things. They evince a growing intelligence among the working masses. Slaves do not strike; they may revolt against oppression and for personal liberty, but strikes are the result of a more enlightened condition of labor.

Strikes may be classed as aggressive and defensive. An aggressive strike takes place when, for instance, something has occurred, affecting the interest of a number of individuals of one establishment, likely to affect the whole trade, such as when an advance of wages is demanded, or where the workmen resolve to desist from work unless certain rules are complied with, for less hours' work, &c. In such cases more or less communication with each other must take place. The consent of the majority must be secured, the timid have to be encouraged, ways and means for conducting the strike have to be provided for. Where established unions exist, the matter in dispute is submitted to regularly constituted authority, which generally consists of the most intelligent men, who take the direction either to restrain or control; and frequently the authority thus exercised either prevents a strike from occurring at all or brings about a more speedy settlement. In a strike the difference between workmen organized and unorganized is simply the difference between a disciplined army and a mob.

A defensive strike is one which, instead of arising out of an original demand of the workmen, takes the form of a resistance to a threatened reduction of wages, or to some encroachment upon trade privileges affecting the number of apprentices to journeymen the quality and amount of work to be done, or to the rules of the establishment. It is customary in all kinds of disputes between workmen and employers to attribute the cause of strikes to workmen. Now, statistics of the strikes that have happened show that in a

large number of them the employers are the aggressors. To the fact that this is not generally understood, no doubt, is to be attributed most of the prejudice that has existed against workmen when strikes have ensued.

Lockouts are entirely different from strikes. Strikes come from the action of the workmen; lockouts originate with the employers, who, alone, are responsible. A lockout, in proportion to its extent, paralyzes business. Strikes are for the purpose of securing better terms for the workmen; lockouts are the attempts of capitalists to monopolize profits and dictate terms, and have been resorted to to punish men for joining a union, or to restrict production, in order to enhance profits. It is the most pitiless of all methods. It means that work is to be stopped and the establishment shut up. It admits of no compromise, and is a heartless, cold-blooded, ultimatum of employers to the employed to come to terms or starve.

Why do workmen strike? To suppose that they do not do so from sincere motives and for causes they deem sufficient to justify the sacrifices which must necessarily ensue, is to presume that they are not capable of reasoning or self-control. Few men are bold enough to advocate strikes at all. Most leaders and thinkers among workmen, especially in trades unions, will be found adverse to strikes; and organizations, which make provisions in their laws to maintain them when they do occur, usually have counter laws which deprecate them. Workmen have learned by experience, that strikes are a very expensive and inconvenient method of settling a dispute, and not to be undertaken except as a last resort; but, unless they are willing to put themselves entirely at the mercy of employers, they must, in some way, assert their rights; and heretofore, there has been no other way except to fight for them. The idea that the generality of employers can be relied on to offer spontaneously an increase of wages whenever profits are such as to warrant it, has proved a delusion. During an observation of thirty years, covering a period of three general depressions in business, when wages were reduced to the lowest point, we can call to mind but few instances where employers made advances of wages on the recurrence of better times, unless induced by more or less forcible demands on the part of the workmen. In 1863, glassware advanced nearly one hundred per cent. in price, yet no advance of wages took place until, in 1864, the workmen demanded an increase; but even then, the advance was in no way proportionate to the increase of profits to the employers, because the workmen, at the time, were not advised in regard to the true state of the market. And it will generally be found that, on nearly all occasions where wages have been advanced, it was the result of concerted movement among workmen. A case where an employer has become conscience-stricken, in consequence of having made too large a profit, would be a rarity indeed, and a voluntary advance of wages by employers, nearly as exceptional.

Workmen are right in believing that they should have a fair share of the material benefits derived from the constantly accumulating wealth produced by industrial enterprise, and they feel that they will never get this, nor ever better their present lot, in the unequal struggle for existence, unless by their own exertions. Therefore, when, after duly considering a grievance, they conclude that a change is demanded by all the facts in their possession, and when they have made their side of the question known to the employer, who refuses to comply, without any explanation, or



without giving any reasonable excuse for so refusing, it is unreasonable to suppose that they will quietly, and without protest, forego their demands. If it is acknowledged that a workman has the right to contract his labor to the best advantage to himself, it must be conceded that he is entitled to know all the circumstances that enter into the bargain; being a partner in production, he is certainly entitled to be informed concerning the profits arising from his labor. A contract made between two parties, where one is in possession of all the facts, which enable him to act intelligently and to judge correctly as to the probable results, while the other is kept in ignorance of such facts, cannot be regarded as mutual, and is as unfair as a game of chance, where one party plays with loaded dice, while his opponent is ignorant of the fact. The disposition of employers has always been to regard any inquiry by the workmen into their profits as an impertinence, and to treat the question of wages as a matter distinct and separate from their gains. But, unless the workmen are advised of the state of trade and the profits accruing in a business to which they contribute their labor, how are they to know what price to fix for their wages? As the very nature of their employment precludes them from opportunities to secure the requisite information to enable them, at all times, to act intelligently, it is not a matter of surprise that demands should be made and strikes occur, that are not justified by the state of trade. The workmen are guided by the apparent or seeming prosperity of employers. Thus, a contribution to a church fund, an ostentatious display of wealth in the manner of living, or in public charity, which the workmen believe was exacted from their earnings, while they received but a pittance, may often be construed as evidence of prosperity and as a proof of their claim for better remuneration. The justice of a demand does not always insure success. Morally considered, strikes, like wars, depend largely upon success for their justification, and, practically, the result is due to the expediency or wisdom exercised at the time of occurrence. The object sought to be accomplished may be right, but if the condition requisite to success is wanting, the strike will fail. For instance, if any considerable number of the workmen are not favorable to the strike, or if there are many of the number who are too poor to maintain themselves without aid, and no funds have been provided, or if the state of trade is such as to cause a surplus of workmen in the market. These and many other incidents, that are potent factors in determining the result, are not always well considered before a strike is entered upon; but in well-organized trades, where they have judicious leaders, all these matters are always well weighed beforehand. Even then, strikes sometimes fail; but, as a rule, it will be found that failures are much less disastrous. The greatest misery caused by strikes will be found to result when these necessary precautions have been neglected. Strikes originate from antagonistic interests in productive industry, and seem to be unavoidable, under our industrial system. They cannot be charged to the faults of individuals, or of any class of persons. The constant tendency of centralization of capital, and to a greater division of labor by inventions and improved methods of production, is gradually but surely impairing the individuality of workmen, and forcing combination to counteract the power of concentrated capital. Individuals may, and do leave their employments, every day, to better their condition, without exciting any notice, but when a number do so in concert, for the same purpose, it is called a

strike. Yet we see no reason why a number of persons should not do in concert what each may do for himself, especially as concentration of capital and subdivision of labor lessen the power of the individual workmen to redress grievances, and they are forced more and more into combination, in order to secure by numbers that which they are unable to accomplish separately. These movements of the industrial classes being the natural outgrowth of the present system of industrial organization, all efforts to suppress them by denunciation or by arbitrary laws, will prove as hopeless in the future as they have been abortive in the past.

How then shall we deal with labor disputes? This problem we believe is being solved by the mutual conferences between employers and employes, and when this mode becomes general we shall have reached the nearest approach to harmony possible under the wage system. During the year, inquiry was made by agents of the bureau of numerous employers concerning the strikes that have occurred in their establishments, and in every instance where this method was practiced by employers the reply was that it had proved satisfactory. To the inquiry, Have you had any strikes among your workmen? the reply was uniformly "No. Whenever we have any dissatisfaction among our workmen, if we are not able to meet their demands we call them together and make a fair statement and reason for not complying, and we have always found them to be reasonable and satisfied with our explanation." The main difficulty in establishing this practice lies in the objection of employers to recognize their workmen as a body or by committees appointed by them as representatives. That this is wrong there can be no question, and employers who refuse such a course should be held responsible for strikes which occur.

Where this mode has not proven satisfactory in the past, the fact may generally be traced to a want of confidence in each other by the parties interested. Unless the workman and employer are each entirely satisfied that the other is acting in good faith, no peaceable result is possible, and this can only come by repeated efforts and by patient striving. The hatters have adopted a system of conference and arbitration that has proven satisfactory in most cases to both the employer and the workman. The rules of the hat finishers' association provide that where a dispute concerning wages, or any other matter of interest, is likely to lead to a strike, the men shall continue at work until after the case has been submitted to the "arbitration committee" and both sides have been heard. In this way many strikes have been avoided.

The bottle and vial blowers have regularly appointed committees at each establishment, who confer with the employers and have the authority to decide any difference that may arise during the blast; and last year, by request of the manufacturers' associations, a joint committee, representing the manufacturers and workmen, was established for the purpose of settling the question of wages and such other matters of dispute as might exist. Although no more was done than the holding of a friendly conference, the hope is expressed that it will be the beginning of a system that will render strikes in the future impossible.

With few exceptions the strikes that have occurred in New Jersey have excited nothing more than a local interest, and few records are to be found of them. There are no large bodies of workmen, such as those at the coal mines and the large centers of the iron and other industries in Pennsylvania, where long, pro-

tracted strikes have taken place. Most of those that have happened here were confined either to a single establishment or to one city or locality. The strike of the railroad employes in 1877, the freight handlers of Jersey City in 1882, and the window-glass workers of South Jersey in 1883, excited more than ordinary interest because of the peculiar circumstances existing and the issues raised by them. On July 20th, 1877, the conductors, engineers, firemen and brakemen on freight trains employed on the New Jersey Central, Morris and Essex, and Lehigh Valley railroads, joined the strike of their fellow laborers on the principal lines of railroads extending from New York to the Mississippi River for an advance of ten per cent. on their wages. At Phillipsburg, the converging point of these roads and the central point of the strikers in this State, the men, to the number of two hundred and fifty or more, on the morning of the strike, collected around the depots of the companies with a view to influence those who might be disposed to take their places. Excitement ran very high. All freight traffic over the above-named roads was suspended at this point, and in some cases the language of the strikers was of a threatening character, but no actual violence took place, either against non-strikers or the property of the companies. The local authorities were invoked by the officers of the companies, and the sheriff of the county appeared among the strikers and read the riot act. The Central road then being in the hands of a receiver, Judge McKenna issued an order assuming a protectorate over its property and that of the Lehigh and Wilkesbarre Coal Company. In this order he announced that interference with the property of either company would be dealt with for contempt. On application of the railroad officials, Governor Bedle, on the 23d, ordered the militia of this State to proceed to the scene. These soldiers, to the number of one thousand three hundred, were stationed along the track of the roads, when the strike was immediately abandoned by the men. Freight traffic was totally suspended for four and partially interrupted for six days. On the resumption of business none of those known to have been engaged in the strike were taken back, nor have they since been employed by any of these companies, and however much the men are censurable for engaging in such a strike, we think all will concur that the punishment has been severe.

The strike of the freight handlers in Jersey City and New York, employed in the Pennsylvania, Erie, Delaware and Lackawanna roads, began June 18th, 1882, by a demand of the men for an increase of wages from seventeen to twenty cents per hour. At the time of the strike the men were without leaders or any form of organization, in fact a mere mob, swayed by a sudden impulse. But in a few days an organization was effected by a general union of freight handlers, with a local union in Jersey City, composed principally of men from the Erie and Pennsylvania railways, numbering about six hundred. Appeals were then made for pecuniary assistance to other workmen, and to the general public. This, however, met with indifferent success, and it soon became apparent that the men would be obliged to succumb to necessity. The time chosen was most unfortunate for the strikers, as during the summer months not more than half of the usual force is employed regularly, and hence the stoppage was of far less consequence to the companies than if it had occurred later in the season, when the traffic on the roads is much greater. As it was, however, the companies were badly crippled in the handling of freight, which was done in a very

indifferent manner by ignorant and raw Italians and Russian Jews, who had recently landed in the country, and were taken from Castle Garden in the morning in steam barges and returned in the evening in the same way. These men were paid the same wages by the companies that had previously been given to experienced hands—seventeen cents per hour—although it is estimated that by reason of the character of the men, it required, on an average, four of them to do the same amount of work previously accomplished by one. On August 20th the men, after remaining out over two months, were compelled, on account of the want of means to live upon, to return to work at the old wages. One condition required of them by the companies was that they should abandon their union, and many refusing to do this were obliged to seek employment elsewhere. The leaders were positively refused work and have not since been employed in the business.

A great deal of interest was manifested in the result of this strike by workmen in all parts of the country, by reason of its occurring in such close proximity to the great depot for the landing of emigrants in this country, and because it was known that the companies would use them to defeat the strikers. The result proves the hopelessness of a demand for higher wages by American workmen when this class of workers can be used to fill their places.

The strike of the window glass workers in the fall of 1883, which began in September, was a demand for ten per cent. increase in wages, and for a uniform way of crediting the workmen's wages. The blowers are all paid by piece-work, and it was claimed that at some of the factories, owing to the method of valuing the work, credit was not properly given them for the quality of the work made. The workmen were thoroughly organized in all parts of the country. The manufacturers were also united, with the exception of two firms, in resisting the demand.

During this strike the employers sought to introduce foreign workmen, and the firm of Wood & Co., at Malaga, imported a full set of employes from Belgium to take the place of the strikers. But after a fair trial (five months) had been given them, the effort was abandoned; it being proven that their method of working and lack of skill made the Belgian blowers less profitable than the American workmen, and then the balance of the manufacturers yielded to the demand of the strikers. From the workmen's standpoint this was perhaps the best conducted strike ever attempted in this country.

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RAILROAD ENTERPRISE.—The Chicago, Milwaukee & St. Paul Railway Co. has recently fitted up a car that is an interesting novelty, for an exhibit of the products of Dakota along the company's lines, at the forthcoming New Orleans Exposition. The car is a regular passenger coach with the outside appropriately decorated and painted, the seats having been removed from the inside and the space filled with compartments for the reception of the products shown. The exhibit is made up of all the varieties of cereals and other farm products grown in Dakota. Among them are ears of corn a foot long, and a squash which weighs 184 pounds. There is also an engine, baggage-car and sleeper made of wheat and evergreens. The locomotive is eight feet in length, and the cars eleven feet. The engine is named S. S. Merrill. This novel conception in the way of an exhibit will attract much admiration at the great exposition.

## HOW COUNTRIES RAISE THEIR REVENUE.

Last month we noticed a valuable work on *Government Revenue*, by Ellis H. Roberts. One of the most noteworthy chapters describes the methods employed by the various countries of the world to raise a revenue. It will be seen that the author considers protection as one of the leading objects of governments in adopting systems of taxation; but without attempting here to maintain or defend such a policy, the author's review is full of interest, and an abridgement is herewith given:

Cobden predicted that Great Britain would by her example speedily convert the world to free trade. The prophecy was uttered forty years ago, yet a candid review of the facts must convince us that, whatever be the abstract merits of the principle he advocated, it is as far from universal adoption now as it was then. Every European State, with the exception of Great Britain and the Netherlands, is a firm adherent of protection, and the leanings toward free trade which were at one time remarked in certain quarters are no longer discernible. Thus the partial abandonment of the Colbert system of protection, in the reign of Napoleon III., found no favor in the eyes of M. Thiers when he was called upon to rehabilitate the National finances, and the statesmen of the republic have persistently refused to renew the reciprocity treaty with Great Britain. In the German Empire, and especially within the last few years, the doctrines of free trade, which for a while exerted great influence upon the fiscal policy of the Government, have become so generally discredited that Prince Bismarck had no difficulty in persuading the Reichstag to revert to the traditional principle of protecting home industries from foreign competition. Since the reconstruction of the Austro-Hungarian monarchy, a protective policy has been enforced with rigor in both the Cis-Leithan and Trans-Leithan kingdom, the Austrians in particular having, as lately as 1882, increased their customs duties for the express purpose of encouraging native industry. The truth is that both in Austro-Hungary and in France the customs are imposed almost exclusively for protection, the amount of revenue derived from this source being, in the former case, less than seven per cent., and in the latter case only a little more than ten per cent. of the whole Government income. The same thing may be said of Italy, where customs furnish only about eleven per cent. of the whole revenue, but where they are arranged with special reference to the fostering of native manufactures. Russia has never wavered in her adherence to a protective system, and in 1882 added ten per cent. to her customs duties. They now represent nearly fifteen per cent. of the fiscal resources of the State. Switzerland draws nearly thirty-eight per cent. of the public revenue from its Custom Houses, which are systematically devoted to the furtherance of home production. The percentage of the whole revenue derived from custom dues in Denmark is forty-eight per cent., in Norway, forty-two and a-half per cent., and in Sweden more than thirty-three per cent., the object of protection being never lost sight of in the ad-

justment of the tariff. In Spain, although the duties levied on imports constitute less than fifteen per cent. of the whole income, they are avowedly imposed for the purpose of fostering the development of industry at home. This is equally true of Portugal, where more than thirty-four per cent. of the National revenue is obtained from customs.

While such is the state of things in Europe, it can surprise nobody to find that a protective policy is zealously enforced in Egypt, China and Japan, in Mexico, Brazil and the Argentine Confederation. The last-named countries gain from customs a very large proportion of their incomes, the respective contributions from that source being forty-nine, sixty-seven, and seventy-five per cent. Nowhere, however, is the failure of free trade doctrines to make converts so striking as in the British colonies. Canada now draws sixty-two per cent. of her income from the Custom House, and since 1880 she has made no secret of her purpose to protect colonial industries by duties upon British manufactures. In Jamaica thirty per cent. of its income is derived from imported food. The colony of Victoria is a sturdy champion of protection, and Queensland, South Australia, West Australia, and New Zealand all resort to customs in order to defray a large part of the public expenditures. Even India, until 1882, protected itself by restrictive duties against British cottons. In other words, the Australian colonies, like the Canadian Dominion, in their financial policy, follow the example of the United States, rather than that of the mother country. The one exception among the British dependencies—New South Wales—is rather apparent than real. Here the chief part of the revenue is derived from public lands, either by sale or rent, and there can be but little doubt that when this source of public wealth is exhausted, New South Wales, like its neighbors, will recur to protective duties.

Even in Great Britain and the Netherlands the workings of free trade are by no means regarded with unmixed satisfaction. During the last three years the profound depression of many British industries has provoked a considerable reaction in favor of protection, and the advocates of free trade have evinced not a little irritation at the necessity of fighting over again a battle which they supposed was definitely won. Their opponents of the rising generation would give them far more trouble than they do, but for the pleasing, though perhaps delusive, prospect of the speedy triumph of free trade in the United States. In the Netherlands, where less than four and a-half per cent. of the whole revenue comes from customs, it is certain that free trade has by no means brought prosperity. The Dutch bankers still compete with other money lenders, but there is a deplorable decay of commerce, and but for Java and their other possessions in the East Indies the Hollanders would cease to rank among the producers of the world.

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## EUROPEAN STOCK MARKETS

Unlike Paris, says a correspondent of the *New York Times*, from which source this article is derived, Berlin has no such institutions as that of the corporation of Agents de Change, which claims the monopoly of negotiations of all financial transactions. It has its "sworn" brokers and its "free" brokers, but the former, though appointed by the President of the Corporation of Merchants and sworn in before the Tribunal of Commerce, are not obliged to give security, as in France, and enjoy no other privilege or prerogative than that of fixing the prices on the "official" list. Nor does the State exercise any control whatever over the operations, its surveillance being limited to an approval or disapproval of the Bourse regulations, which cannot be modified without the consent of the Minister of Commerce. All questions relating to admission to the Bourse—open to all except women, children and bankrupts—and the toll exacted therefor, are decided, in the first instance, by the President of the Corporation of Merchants—the "College of Ancients"—and, if his decision be appealed from, by the district court. This last is an innovation dating from the first of April of the present year, previous to which time all litigation concerning commercial and financial matters was within the jurisdiction of the first President of the Province of Brandenburg.

Quotations are classified under three heads: (1,) Official quotations; (2,) non-official quotations; (3,) special quotations. In the first category are included cash transactions, and cash transactions only upon such securities as have been accepted by the Corporation of Merchants as *bona-fide* enterprises based upon a capital not less than 1,000,000 marks, about \$250,000, and after a careful examination of the constitution of the company and a scrupulous verification of the amount paid up on its scrip, provided also that the postulants be indorsed by three respectable mercantile or financial firms and be approved by the College of Ancients, which body, after one week's publication in the principal newspapers of the Merchants' Guilds, reports and makes known its decision. In no case, however, should this decision be adverse, explaining the motives for refusal. These formalities are only observed for the official quotations to which are admitted no transactions "on time," either in the public funds, bills of exchange, or other securities. Prices on the official list are established by the Commissaries of the Bourse who are appointed by the President of the Corporation of Merchants, hold office for one year, and receive the reports of the "sworn" brokers concerning all affairs in which they have been intermediaries. This list, I repeat, exclusively for cash transactions, alone is authentic, and regulates the prices of the non-official list to which admission is granted by the Commission of the Bourse upon the proposal of the brokers. Over inscription on the list of special quotations—"fancy" and "wild cat" presumably—there seems to be no control whatever.

By the law of the first of July, 1881, the State levies a stamp tax upon each "bulletin of negotiation" and each "winding up of an account;" this is of twenty pfennigs, about five cents, on each cash "bulletin of negotiation" and each "winding up," and of one

mark on each "time" operation. This tax, for the payment of which the brokers are individually responsible, produced, in 1883, 2,728,000 marks, about \$670,000. The legality of operations "on time"—with a margin—has been frequently contested in the German courts, but the existing jurisprudence inclines to admit the validity of such transactions. A distinction, however, is made between "time" operations in which the scrip is really delivered and those where only the "difference" is paid or received, "operations in which it is agreed upon in advance that no stock shall be delivered," but as no contract is ever drawn up with such a specification, even in purely speculative operations, this jurisprudence is rather theoretical than practical.

The official price list at Berlin at present quotes 645 different securities, 407 of which are German and 238 foreign. In the non-official list are 118 different securities; in the special list, 1,040. The commission of the brokers is one-half on 1,000 for public funds, railway scrip, and bank stocks, and of twenty pfennigs for each share for the Austrian *Crédit Mobilier*, the Austrian railways, the Lombards, &c. All foreigners are admitted gratuitously to the Bourse on the presentation of a broker or of a banker of Berlin. The same concession is made to non-residents of Berlin and Charlottenburg, and to persons who do not come to the Bourse more than three times annually, as also to employes of brokers and of banking and commercial firms. All others pay a fixed price for their "season" tickets, according to the importance of their operations, which varies from 1,098 marks (first class) to fifty-four marks (ninth class) per annum. This tariff is the average, but it may be increased or diminished according to the receipts or outlays of the Corporation of Merchants. Besides this impost, every one interested in financial operations, banking operations, exchanges, precious metals, &c., pays for a "commercial license." These licenses are divided into three classes: A1, A2, B. The first comprises commercial and financial firms having a large capital; the second, those firms whose capital and business is from "fair to middling;" the third takes in firms of small importance. If a bill at present under debate in the Prussian Chamber should obtain a majority of votes, the bankers will be taxed an additional twenty per cent. on this revenue, which is estimated at four per cent. of their declared capital. The number of "sworn" brokers—*Makler*—depends upon the necessities of the market, according to the appreciation of the Merchants' Guild. Each of them has his specialty; some deal only with the funds, others exclusively with railway stock, &c., and the same usage prevails among the "free" brokers, who generally do more business than their "sworn" colleagues. I must add that to buy or sell on the Exchange of Berlin, the ministry of neither class is indispensable, and that, therefore, in point of fact, it may be considered a "free market." I have stated that the Government in no way controlled the operations, but, on the other hand, the Government makes the most profit possible out of them by its duties on purchases and sales, by its tax on licenses to operate, and by its heavy charges on tickets of admission.

The organization of the Bourse of Dresden, although based on more democratic principles, resembles that of Berlin. Its Council of Direction, elected annually by the members, appoints the "sworn" brokers, who have the same attributes and privileges as the "sworn" brokers of Prussia, but no more, "free" brokers, except so far as the establishing of prices is concerned, being quite as re-



sponsible intermediaries. The State neither superintends nor controls the market where public funds are admitted *de plano* and other securities, when approved by the Board of Directors, on the payment of 600 marks for shares and of 300 marks for bonds: besides this there is a duty of one mark paid for every "time" operation; this class of operations is considered legal, and regarded by the law as belonging to the category of ordinary commercial debts. The broker's commission is one-half of one per cent. on the nominal value of the security. It costs 150 marks per annum to have the free run of the Dresden Stock Exchange, where the brokers, who, as at Berlin, give no security, pay ten per cent. of their receipts into the treasury of the Board of Directors. Also, as at Berlin, no description of French security whatever is negotiable at the Bourse of Dresden.

At Vienna the market is partly official, partly free: the official market is composed of "sworn" brokers who give security in the sum of 10,000 florins, and must hold their books subject to Government inspection. This class, under the presidency of a member of the Syndical Chamber, establishes the price list, admission to which for any security requires the authorization of the Minister of Finance and the visa of the Syndical Chamber. Except Government funds and municipal and provincial bonds, every security to be quoted must pay a duty of one-tenth of one per cent., based upon the amount of scrip issued. Whatever be its importance, every operation made by the brokers is subject to a fixed stamp duty of five kreutzers; the Government proposes to increase this duty by a combination similar to that of the Berlin Code. Mention of cash operations only is made in the official list, but the brokers are authorized to negotiate "time" purchases, and sales even with securities not quoted in the official list, and engagements resulting from these are considered to be as legally obligatory as ordinary commercial debts. All litigation proceeding from Bourse operations is conducted before the Syndical Chamber, whose judgments are without appeal and can be immediately executed against the debtor. On the thirty-first of December, 1883, 437 different sorts of securities were officially quoted at the Vienna Bourse. Of these thirty-one were State funds, eighteen mortgage bonds, twenty-nine public loans, sixty-eight "pledge letters," 101 "divers" bonds, twenty-one *valeurs à lots*, thirty-six banks, fifty-one railway and navigation companies, fifty-five manufacturing enterprises, ten foreign exchanges, fifteen precious metals, and two State loans on the salt works. The effective capital of these, exclusive of the State funds, mortgage bonds, public loans, and *valeurs à lots* was, at the close of last year, 3,301,185,115 florins, or, in round numbers, about \$1,660,000,000. The broker's commission is one-half of one per cent. on the real or nominal value of the negotiation; he pays for his annual ticket of admission seventy-five florins—about \$35—and, like any other merchant or banker, the cost of his license depends upon the importance of his business and the amount of his income. As at Berlin and at Dresden, Vienna refuses admission on its Stock Exchanges to all French securities without exception.

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## LEGAL MISCELLANY.

**NOTARY—PROTEST OF—EVIDENCE TO CONTRADICT—NO PRESENTATION INDORSERS DISCHARGE.**—(1) The protest of a notary is only *prima facie* evidence of the facts contained in it, and evidence to contradict and overcome its recitals is admissible. (2) To bind the indorsers on a note, it must be presented to the maker at maturity, and no previous statement of intention not to pay at maturity, or other arrangement between the maker and holder, can excuse the non-presentation, so far as the indorsers are concerned, whatever effect it may have as to the maker. This question has been settled by the Supreme Court of Massachusetts in *Lee Bank v. Spencer*, 6 Metc. 309. That was a suit against indorsers of a promissory note made payable at the bank. It was not presented to the bank for payment at maturity, because the promisor had formally called on the holders and informed them that it would be useless to present the note at the bank, as he could not pay it. But, said Shaw, C. J., "however this might affect the rights of the promisor, we think it did not alter the conditional obligation of the indorsers, and make them responsible without any presentment whatever." So, in *Pierce v. Whitney*, 29 Me. 188, it was held that the fact that the maker of a note had addressed a letter to the holder, informing him that he would not be able to pay it at maturity, and requesting an extension, would be no excuse for non-presentation of the note at its maturity to the maker. [Sup. Ct., Cal., Jan., 1884. *Apfelgarth v. Aybott*. Opinion by McKee, J. 2 Pac. R. 43.]

**CONSTITUTIONAL LAW—TAXATION IN AID OF PRIVATE ENTERPRISES.**—State legislatures have no authority to authorize taxation in aid of private enterprises or objects, even where there is no express constitutional prohibition. It is not necessary to review the many cases cited. A court cannot ignore that the Federal and State Constitutions—nay, that all State Constitutions—prohibit the taking of private property, even for public uses, without just compensation. Is it to be argued, therefore, that private property can be taken for private uses, either with or without just compensation? The Supreme Court of the United States stated the elemental thought underlying American constitutional law when it declared that an attempt, through the guise of the taxing power, to take one man's property for the private benefit of another is void, an act of spoliation, and not a lawful use of legislative or municipal functions. There have been so many well-considered cases in the United States courts and in the State courts on this subject that it would be a work of supererogation to repeat their arguments. It must suffice that the weight of authority and sound reason concur in holding bonds and coupons like those in question void *ab initio*. *Loan Ass'n v. Topeka*, 20 Wall. 665; *Com. Bank v. City of Iola*, 2 Dill. 353; *Parkersburg v. Brown*, 106 U. S. 487; S. C., 1 Sup. Ct. Rep., 442; *Allen v. Jay*, 12 (N. S.) Am. Law Reg. 481, with notes; *State v. Curators State Univ.*, 57 Mo. 178; *St. Louis Co. Ct. v. Griswold*, 58 Mo. 175; *Livingstone Co. v. Darlington*, 101 U. S. 407. In *Cooley Const. Lim.* the subject is fully discussed, cases reviewed, and conclusions stated. Page 264 *et seq.* Cir. Ct., E. D. Mo., March 22, 1884. [*Cole v. City of Lagrange*, U. S. Cir. Ct.]

**WHEN ONE IS NOT LIABLE AS PARTNER.**—A person sued as partner, and whose name is shown to have been signed by another person to the articles of partnership, may prove that before the articles were signed, or the partnership began business, he instructed that person that he would not be a partner. A person who is not actually a partner, and who has no interest in the partnership, cannot, by reason of having held himself out to the world as a partner, be held liable as such on a contract made by the partnership with one who had no knowledge of the holding out. [*Thompson v. First National Bank of Toledo, Ohio*, U. S. Sup. Ct.]

**BANK—AFFIDAVIT BY CASHIER.**—Where a suit is brought by a National bank under the Act of 1864, ch. 6, the cashier of the bank is the proper officer to make the affidavit required by the act to be filed with the declaration, stating the true amount that the defendant is indebted to the plaintiff over and above all discounts. He has the means of knowing the dealings between the bank and its debtors, and it is his duty to superintend the collection of debts due to the bank, and to make such arrangement as may facilitate that object, and to do anything in relation thereto that an attorney may lawfully do. If an affidavit is to be made stating the precise sum due by a debtor to the bank he is the proper officer to make it. *Trenton Bank v. Haverstick*, 6 Hals. 172; *Mix v. Andes Ins. Co.*, 74 N. Y. 55; *Shaft v. Phoenix Mut. Life Ins. Co.*, 67 id. 549; *Angell & Ames on Corp.*, §§ 299, 366, [*Parkhurst v. Citizens' National Bank of Baltimore*, Maryland Sup. Ct.]

**BROKER—COMMISSIONS—WHEN ENTITLED TO.**—It is well settled by the authorities generally, and in this State, that a broker is entitled to his commissions if the sale effected can be referred to his instrumentality. It is also the established law, that after negotiations begun through a broker's intervention have virtually culminated in a sale, the agent cannot be discharged so as to deprive him of his commissions. *Keener v. Harrod, et al.*, 2 Md. 63; *Tinges v. Moale*, 25 id. 480; *Jones v. Adler*, 34 id. 440; *Attrill v. Patterson*, 58 id. 226. The ruling in this case does no violence to these principles, and is in harmony with the authorities cited. There were confessedly two brokers intrusted with the sale of the property by Miller. Neither had exclusive authority. Each has negotiated with the same person who ultimately buys. The terms first offered through the plaintiff were not accepted, and the offer made by Stayman was rejected; and there is evidence tending to show entire abandonment of the idea of investment in that property until negotiations were renewed by the instrumentality of McSherry and White; after which the property was sold on the same terms as originally offered, except the modification of \$100 more per annum for the lease taken by Miller for five years from the purchaser. The whole question whether the sale was really effected in consequence of what plaintiff did in first bringing the parties into negotiation, or whether the negotiations through him were *bona fide* broken off and abandoned by Stayman, and the sale finally effected wholly through the influence of others, was, we think, fairly presented to the jury. [*Livezey v. Miller*, Maryland Sup. Ct.]

**CORPORATION—TRANSFER OF STOCK—BY-LAWS—REMEDIES—DEMAND THAT TRANSFERS BE MADE—ATTACHMENT.** A provision in the statute under which a corporation is organized, or in its by-laws, requiring transfers of its stock to be made upon its books, is for its benefit; and where the owner of stock has assigned and

transferred, for a valuable consideration, the certificate issued to him, and the corporation, when requested to make the transfer, without a valid reason refuses to do so, this amounts to a waiver of the requirements, and the transfer is complete, and the corporation is bound to recognize the title of the assignee precisely the same as if it had done its duty and made the proper entries upon its books. S being the owner of sixty-one shares of defendant's stock, which stood in his name upon its books, for a valid consideration sold the stock, and assigned the certificate to H, who presented them, with the assignment, to defendant, and demanded a transfer to himself upon its books; this was refused. H thereafter sold and assigned the certificates to plaintiff. In an action to recover dividends declared upon the stock it appeared, that after notice of the transfer to H, defendant caused the stock to be seized and sold under an attachment issued in an action brought by it against S. *Held*, that assuming the purchaser could be deemed a *bona fide* purchaser, as to which *quære*, it did not affect the rights of plaintiff as against defendant; that it could not set up its own wrongful act to defeat his title, and that he was entitled to recover. Also *held*, that a demand of payment, or of a transfer of the stock to plaintiff before suit brought, was not necessary; that having refused to transfer to H denied his ownership, and caused the stock to be sold as the property of S. No further request or demand was necessary on his part or that of his transferee who succeeded to his rights. H had become the owner of the stock as against S, and as against the defendant. By the assignment and transfer of the certificates he had obtained the entire legal and equitable title. *McNeil v. Tenth Nat. Bank*, 46 N. Y. 331; 7 Am. Rep. 341. Of this fact the bank had notice, and it became its duty to make the transfer requested on the books. Its refusal was a wrong from which no right could spring. Thereafter the bank was bound to recognize H's title exactly as if it had done its duty and made the transfer on its books. The requirements of a registry, existing only for its own protection and convenience, must be deemed waived and non-essential when it wrongfully refuses to obey its own rule. *Isham v. Buckingham*, 49 N. Y. 220; *Billings v. Robinson*, 94 id. 415. In *Johnson v. Laffin*, 17 Alb. L. J. 146, the United States Circuit Court said of a sale by transfer of the certificates, "that the transaction between Laffin and Britton was complete without registration of the transfer, and that it is equally complete as to the bank unless the bank had some valid reason for refusing to register the transfer." And such must necessarily be the rule unless the arbitrary consent or refusal of the bank is to determine the validity of a sale which it merely requires to be registered. As easily might it be said that the consent of a county clerk or register was essential to the operative force of an executed deed. While H was absolute owner as against the defendant, the latter sued S, and upon an attachment seized and sold H's stock, the Bank of Raleigh becoming the purchaser. It is not easy to see how that bank can be deemed a *bona fide* purchaser, or acquired any right in the property of H by an attachment against S; but assuming the possibility of such a result as flowing from the condition of the registry (*Fisher v. Essex Bank*, 5 Gray 380), and yet it seems to us wholly immaterial what rights the Bank of Raleigh acquired, either as against the Bank of New Berne or as against H. No such question is here. What occurred, vested in H, as between him and the defendant, the entire legal and equitable title in the shares as perfectly as if the trans-

fer demanded had been made. The defendant corporation cannot set up its own wrongful act to defeat the title which passed. After, as well as before the sale to the Bank of Raleigh, Hope remained the owner as between him and the Bank of New Berne, and entitled to have and receive the dividends declared upon sixty-one shares, and what the bank did, or what obligations it incurred to the Bank of Raleigh in no respect altered its duty and liability to H. A further question is raised over the sufficiency of plaintiff's demand, which appears to have been for dividends amounting to \$6,680, and so very much too large. The referee found upon the facts that no demand was necessary, and the General Term affirmed the conclusion. The point insisted upon is that the plaintiff was bound to demand a transfer to himself on the books of the bank, and which should be accompanied by notice of the transfer of the certificates to him. Why, when the bank had refused to transfer the stock to H upon its books when he demanded it, his assignee should be compelled to repeat the same process in the face of that refusal, we are unable to see. H would not have been bound to try again, but could have sued without a new request, and all his rights passed to his transferee. So that the question comes back to the necessity of a demand. The case principally relied on by the appellant is *Southwick v. First Nat. Bank*, 84 N. Y. 432. The case is not at all pertinent. There the defendant had "lawfully and innocently received the draft and the money paid thereon." He was not and could not be put in the wrong until he had refused restoration. This distinction was drawn in *Sharkey v. Mansfield*, 90 N. Y. 329; 43 Am. Rep. 161, and the necessity of a demand denied where the receipt of the money was a wrong. The party already in the wrong would only become more so by a refusal. Here the defendant had explicitly disavowed any obligation to H. and denied his ownership, and caused the stock to be sold as the property of S. What had occurred was a distinct denial of H's right to the stock or any of the dividends. After such a denial it was not needed that H should make a demand to put the defendant in the wrong, for it already stood deliberately and defiantly in that attitude. Its action was equivalent to a refusal to pay any one except its own chosen transferee, whose right alone it recognized. H himself and his assignee were not bound to make a demand. The refusal was already complete by the defendant's own action. It was of no concern to whom H assigned, for the denial of his right was a denial as to those succeeding to that right. The defendant's complaint comes to no more than this: that having once refused, it ought to have a new opportunity to repent, solely because the right of action has passed to a new owner. Our conclusion does not stand upon any fancied inability of the bank to pay these dividends, or even to issue sixty-one shares of stock, but upon the action of defendant in totally repudiating the whole of H's rights. It is further argued that plaintiff's remedy was an action in equity to compel a transfer on the books, or an action against the bank for its wrong, and to recover the damages suffered. That such remedies exist does not alter plaintiff's right to pursue that which he has chosen. Each of those remedies would inevitably fall upon H's ownership. To compel the bank to register is to concede the validity of the transfer and found a right upon it, and damages could only be awarded to the extent of the stock and dividends on the same theory. And if, as we have said, H became the absolute owner

as between himself and the bank, he must be awarded the right of an owner, whatever other remedies exist. The condition the defendant may find itself in we need not consider. There are always consequences of a wrong to a wrong-doer. [*Robinson v. National Bank of New Berne.*]

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## BOOK NOTICES.

*Protection and Communism: A Consideration of the Effects of the American Tariff upon Wages.* By WILLIAM RATHBONE, Member of the British Parliament for Caernarvonshire. New York and London: G. P. Putnam's Sons. 1884.

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*The Standard Silver Dollar and the Coinage Law of 1878.* By WORTHINGTON C. FORD. New York: The Society for Political Education. 1884.

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*The True Issue. Industrial Depression and Political Corruption caused by Tariff Monopolies.* Reform demanded in the Interest of Manufacturers, Farmers and Workingmen. By E. J. DONNELL. New York & London: G. P. Putnam's Sons. 1884.

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*Proceedings of the Convention of the American Bankers' Association, held at Saratoga Springs, N. Y., August 13th and 14th, 1884.* New York. 1884.

Mr. Rathbone, clearly perceiving our ignorance, seeks to enlighten us. He tells us "that if the United States had not adopted protection twenty years ago they would now be holding the place still occupied by England as the first commercial country in the world." He further says that "if they were now to abandon protection, they would in another twenty years have supplanted England in that position." Of course he argues that the United States ought to abandon their present policy in order to achieve commercial supremacy. Thus he shows his deep interest in our National and individual welfare. But how does he reconcile such an aim for this country with the future prosperity of England? "With free trade once established on both sides of the Atlantic the second place in the international commerce would be a better and a safer place than the first is now." His argumentation turns out, after all, to be a plea for England. He is simply trying to have us adopt a policy whereby we can attain to commercial supremacy in order that England may have a better and safer place than she has now. But if the second place be preferable to the first, and we have it at present, why should *we* not be content and suffer the policy which is so sure to keep us where we are to be continued? We ought to think so, if Mr. Rathbone's reasoning be true. But are we sure that it is true? His desire to see the United States rise above England through the adoption and operation of the free-trade policy creates a kind of doubt on the part of the reader concerning the sincerity of the author.

Mr. Ford's monograph treats of the silver coinage policy of the country. He has endeavored to set forth the economic principles that should underlie a sound currency, and to show in what respects the law of 1878 conflicts with them. It is not, therefore, an attack on silver, but on the silver

dollar. The expiration of the monetary agreement among some of the European nations, known as the "Latin Union," will bring forward again this question of the coinage of two metals upon an equality. As showing the results of the experiments made in the United States toward solving this problem, Mr. Ford's tract is timely and valuable.

Mr. Donnell's pamphlet of eighty pages is a vigorous and interesting production. It would be difficult in a short space to give the reader a very clear description of the ground traversed by the author. In general, it may be said that he seeks to show how the people have suffered from the protective policy, how it has often defeated itself, and the setting forth of effective remedies. Perhaps a few extracts will show the nature and drift of the work. In the early portion he accuses the press of shyness in treating the subject. "Fear," he says, "is a carrion crow whose presence indicates the existence of death and disintegration." He maintains that protection is incompatible with democracy. "The incompatibility to which I have given logical expression is but the out-cropping of an antagonism which is deep-seated and ineradicable. During the past twenty years, protection has changed all the conditions and even the spirit of American society." "Tariff," he says on page 12, "is the cause of pauperism and vagabondism. Less than fifteen years ago we had few beggars, and no tramps in the woods. Before we were cursed with the Morrill tariff, we had no street beggars at all." He maintains that there has been no genuine prosperity since the present high protective tariff began. "Productive industry is the palpitating heart; trade and commerce are the veins and arteries. The veins and arteries must be free from all forms and degrees of obstruction, or the heart will become gorged and helpless. It will struggle, and the pulse will beat rapidly, using all the vital forces to release the vital fluid—that is to obtain some degree of liberty—free exchange." "Iron is the key to the arch of monopoly." "The tariff monopoly in iron is the tap-root of the Upas tree that has poisoned both our industry and our politics." The author concludes that the election of Governor Cleveland is desirable, because in that event "there will be measures devised and executed that will relieve the labor of the whole people from the great monopolies that have oppressed the working people, and held the republican party in bondage for twenty years."

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*L'Impôt sur le Revenu.* Par M. JOSEPH CHAILLEY. Docteur en droit, Membre de la Société d'Économie Politique: Librairie, Guillaumin et Cie. Paris.

Although no National tax is imposed on personal income in this country, the work of M. Chailley will richly repay the careful perusal of American students of finance and public economy. The work is exhaustive, and contains, beside an elaborate introduction, a review of the income tax legislation of England and Italy, followed by a discussion of the theory and practice of assessing and collecting the tax. The work is timely, for in France the entire subject of National revenue and expenditure is of pressing importance. The thoroughness with which the author has treated his theme is strong proof of his fitness to deal with the larger subject of all the revenues and expenditures of the nation. In a future number we shall discuss some of the theories described in this interesting work.

*Reforms: Their Difficulties and Possibilities.* By the Author of *Conflict in Nature and Life*. New York: D. Appleton & Co. 1884.

The author informs us that the present volume is supplementary to a book entitled *Conflict in Nature and Life: A Study of Antagonism in the Constitution of Things*. The work before us is a creditable undertaking. The first part is devoted to the labor question, the second to financial questions, and the third to miscellaneous reforms. The scope of the work, therefore, is wide, and as it does not much exceed two hundred pages, the consideration of so many topics must be brief. Nevertheless, the author succeeds in saying a good deal well worth reading. He has a judicial mind, and clearly sees many sides of questions. The last chapter, on the "Issues of the Near Future," contains not a few striking ideas. In discussing the subject of Centralization *vs.* Localization, he says, "that the party in power is the party of practical centralization, whatever its professions." He thinks the indications are plain enough that there will be a legitimate enlargement of functions of the general government. "If the State is to continue to be the instrument of protection for the people it must assume larger responsibilities as civilization advances."

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## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. COLLECTIONS AS PREFERRED CLAIMS.

In your reply in September number as to "Collections as Preferred Claims," the substance of your position is, that as soon as an agent makes a collection, he, instead of being still an agent, at once becomes a debtor. This position as between the principal and an innocent third party would be so, but as between principal and his agent it cannot be, for no such contract as debtor and creditor was contemplated by the bank remitting the note for collection, and no contract can be made without consent, either expressed or implied, of both parties.

Millions of dollars of collections are daily made, and the owners of the paper never contemplate entering into the contract of debit and credit.

Suppose, in the case under discussion, that the collecting bank had forwarded the note to its correspondent in another city where the note was payable, the restrictive indorsement would be notice to the last bank that ownership still remained with first indorser; then, if first collecting bank fails, the last bank cannot apply the proceeds of the note to credit overdrawn account of first collecting bank, but at once becomes responsible to the owner of the note. This position is upheld by decision in case of *Cook County National Bank of Chicago v. one of its correspondents*, and reported in a back number of the Magazine.

Now, then, by what course of reasoning can the agency of the collecting bank be converted into the position of debtor and creditor? The assignee succeeds to the agency, because he has no better right to the assets than had the bank.

The stoppage of the bank did not cause its insolvency, but the insolvency caused the stoppage, and was there any existing right by which the agent could apply the funds of the principal in such a manner as to make them worth less than 100 per cent.? Certainly not. Those who had entered into



a contract of debtor and creditor with the bank have no more right to the money of the principal or owner of the original collection than they have to a special deposit that may be in the vaults of the bank; for, if such were the case, then the principle would be evolved of a contract being made without the consent of one of the parties, which is clearly in opposition to the principle of common law.

The depositors had entered into a regular contract of debtor and creditor with the failed bank; they were on the ground, and had opportunities to be familiar with the general opinion of the soundness or unsoundness of the bank. The owner of the note, however, had no such knowledge, but, whether he had or not, had the right to make any contract he saw proper, and when the collecting bank opened for the purpose of doing a banking business they say to the world, We are ready to accept your agency for the collection of your paper, and when a remittance is made then the contract is at once finished; but the law does not give any bank the right to change one contract to another without the consent of the other party.

I think my conclusion, that the collection is a preferred claim, is supported by *Daniel*, on page 312, art. 330 to 340, and *Digest of Am. Law Register*, page 40, art. 57, as well as the decision in the case of Cook County Nat. Bank, referred to.

REPLY.—This question is substantially settled by a decision of the New York Court of Appeals, *People v. Merchants and Mechanics' Bank*, 78 N. Y. 271, which, upon examination, will be found to sustain the position taken by us in the reply referred to.

It is entirely true that property held by a debtor as trustee or agent does not pass to his assignee under an assignment for the benefit of creditors, or to an assignee in bankruptcy, and that, if it is intermixed with property conveyed to an assignee, it may be recovered by the true owner, if it is capable of identification. But, in the case submitted to us there are two difficulties, either of which is sufficient to prevent the inquirer from obtaining the preference to which he claims to be entitled.

In the first place, although the collecting bank is the agent of the owner of the paper for the purposes of making the collection, the relation between them is not one of trust, properly so called. *Chapman v. Forsyth*, 2 Howard 202; *Cronan v. Cotting*, 104 Mass.; *Marine Bank v. Fulton Bank*, 2 Wall. 204; *Daniel on Neg. Insts.*, § 334. Even when paper is sent "for collection and remittance," it is not within the intention of the parties that the proceeds of the collection, the identical money received from the party paying the paper, shall be kept separate from the other money of the collecting bank and remitted just as received. On the contrary it is the custom, and is perfectly proper, for the collecting bank to put the money received among its own money, and to remit the amount in some other way. There is no relation of trust between the parties which forbids the collecting bank so to intermix the proceeds of the paper with its own funds, and as soon, at any rate, as this is done, the claim of the owner of the paper to the specific money ceases, and the relation between the parties becomes, in effect, one of mere debtor and creditor. See the authorities above cited.

In the next place, assuming that the relation of the parties is one of principal and agent, and that the money received from the party paying the paper is the money of the principal, as soon as it is intermixed with the other money of the agent, it becomes incapable of identification, and the courts will not permit the principal to pursue it as a specific fund in the hands of

the assignee, or compel the assignee to restore to the principal an equivalent sum of money, or, in other words, to treat the claim of the principal as a preferred claim. See *People v. Merchants and Mechanics' Bank* above cited. We do not think the authorities cited by the inquirer have any particular bearing upon the subject under discussion.

## II.—REVOCATION OF CHECK BY DEATH OF DRAWER.

A draws a check on his bank, and dies before the same has been presented for payment. Has the bank any right to refuse payment, providing the account is in funds sufficient to meet it?

REPLY.—The law has always been laid down in the books, that the death of the drawer of a check operates as a revocation of it, though a payment of a check, made by the bank in good faith, after the death of the drawer, and before notice of it is received, will be protected. As a rule, therefore, banks refuse to pay checks after notice of the death of the drawer. And we think this must be taken to be the law at the present time. Mr. Daniel, however, is of opinion, that the rule, as thus stated, is wrong, and that the idea that the death of the drawer of a check which has been given to a payee for value, operates as a revocation, is a total misconception of the law. See *Daniel on Neg. Insts.*, 3d Ed. § 1618a, and his article in this Magazine, February, 1879, p. 619. Mr. Daniel's argument upon the point is very strong, but, until his views have been adopted by some authoritative decision of the courts, we do not feel justified in saying, that the law upon the point is different from what it has always been understood to be.

## III. THE RIGHT OF OFFSET.

The Ocean National Bank owning their banking house, rent a room in the building to the Globe Coal Company, who keep an account in said bank. The coal company fail to pay the rent until several months accrue. The bank sends bills repeatedly to them, requesting payment, which the company disregards. Has the bank the right to debit the coal company's bank account with said rent, or must they resort to legal remedy to collect?

If the bank should charge the rent to their deposit account, and a check be subsequently drawn by the coal company for their full balance, prior to said deduction, and the check be dishonored by the bank as not good, because of said deduction of rent without authority, would the Globe Coal Company have good ground for action at law for damages?

REPLY.—We think the bank has the right to charge the amount due to it for rent to the account of its depositor. This, however, is an act so much out of the ordinary course of business, that we think the bank should give notice to the depositor of its action. The right of a depositor to bring an action for a refusal to honor a check, subsequently drawn, should depend upon whether it received notice of the application of its deposit to the debt for rent before it drew the check. If it was properly notified it would have no right to expect that its check for the full amount of the deposit would be honored. If, on the other hand, it had no notice of the application, it would have a right to expect that its check would be honored, and would be justified in drawing for the full amount of its deposit. Of course the improper refusal to honor a check is an injury to the drawer's credit and this is the ground upon which damages are given. See *Walker's Banking Law*, p. 81.

## A CAUTION TO INVESTORS.

*To the Editor of the BANKER'S MAGAZINE:*

Adventurers "worked" the West and South some years ago for the bonds of counties and townships in aid of railroads. The bonds generally found their way to New York and became the property of innocent holders, whilst the counties resisted payment because the conditions on which the bonds were obtained were not complied with. Enormously expensive and protracted litigation resulted, and though generally decided in favor of the bondholders it was seldom that even a large fraction could be got from the counties. That lead is worked out and adventurers are at work on another, and, like the weather sergeant on Pike's Peak, I wish to warn eastern bankers of the coming wave, which is made up of water bonds of small towns. Lured by promises of becoming manufacturing centers, and by a generous use of money and music with the multitude, the tax is voted. Then the water company issues bonds and sells them, failing, however, to comply with some vital agreement made to the citizens, and the latter and the bondholders will in due time fight out the matter among themselves.—*Caveat emptor.*

LEXINGTON, Mo., October, 1884.

GEO. WILSON.

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CAN A BANK OWN GRAIN?

Lorick & Lawrance, dealers in groceries, grain, and provisions, in Columbia, S. C., ordered several carloads of corn from Hoard Bros., of Chicago. The corn was shipped, and the Union National Bank of Chicago discounted the draft with bill of lading attached, for Hoard Bros. The draft with bill of lading attached, was sent to the Carolina National Bank of Columbia for collection, and it was duly honored. Lorick & Lawrance alleged that the corn was in such damaged condition that they lost nearly \$700 in its sale. They demanded redress from Hoard Bros., but whatever the causes may have been no adjustment was reached. Subsequently Lorick & Lawrance ordered another lot of grain from Hoard Bros., the draft for which, with bill of lading attached, was discounted by the Union National Bank of Chicago, as in the first instance, and also sent to the Carolina National Bank for collection. This draft was dishonored, and Lorick & Lawrance at once sued out an attachment against the grain at the railroad depot, gave the sheriff an indemnity bond, and sold the grain. The Union National Bank of Chicago, through their attorneys in Columbia, instituted suit against the sheriff (virtually Lorick & Lawrance) for \$629 damages.

The plaintiff claimed that upon the discount of the draft, with bill of lading attached, the grain became the property of the Union National Bank, to whom Hoard Bros. thus surrendered all interest, and that a National bank had the right to hold grain as property so long as it was not prohibited from so doing by the terms of its charter. The defendant claimed that the grain was the property of Hoard Bros., and as such was liable to seizure under the law, as had been done; that the Union National Bank of Chicago had no power under its charter to deal in grain, and hence could not hold grain as property; that the discount of the draft, with the bill of lading attached, was a business accommodation to Hoard Bros., and that the bank was made safe by credits on its books in the name of Hoard Bros. The suit was recently decided in the Court of Common Pleas, Columbia.

His Honor, Judge Cothran, without entering into the question of the right of the bank to deal in grain under its charter, charged the jury that the discount of the draft, with bill of lading attached, created for the bank a special property in the grain. The jury were absent about four hours, when they brought in a verdict of \$629 for the plaintiff, without damages.

## BANKING AND FINANCIAL ITEMS.

**THE TREASURY DEPARTMENT.**—On October 28th the Hon. Walter Q. Gresham resigned the Treasury portfolio, and was appointed United States Circuit Judge for the Seventh Circuit. On the same day the Hon. Hugh McCulloch was appointed Secretary of the Treasury, and has taken charge of this department, entering upon his duties on October 31st.

Mr. McCulloch's reputation as a financier is well known. From the year 1835 until 1863 he was identified with the successful management of the State Bank of Indiana, and his signal ability gave him deserved prominence as one of the ablest bankers of the country. In April, 1863, Secretary Chase tendered him the position of Comptroller of the Currency, under the National Banking law. When Secretary Fessenden retired from the Treasury Department in March, 1865, Mr. McCulloch was appointed Secretary of the Treasury by President Lincoln. He held this position through the Administration of Andrew Johnson, and retired in 1869. After this Mr. McCulloch became the London partner in the firm of Jay Cooke, McCulloch & Co. For several years past he has acted as President and Manager of the American Council of Foreign Bondholders. His appointment is one of the best that could have been made.

**THE NEW YORK CLEARING-HOUSE ASSOCIATION.**—The annual meeting of this Association was held on October 7th. Mr. William A. Camp, Manager, presented his report of the business transacted during the year ended September 30. The total exchanges were \$34,092,037,337; balances, \$1,524,930,993; total transactions, \$35,616,968,331. The average daily transactions were: Exchanges, \$111,048,981; balances, \$4,967,201; total daily average transactions, \$116,016,183. The total transactions since the organization of the Clearing-house, thirty-one years ago, amount to \$750,818,518,669. The largest transactions for any day during the year, were on March 3, 1884, the amount being \$204,564,026. The following officers were elected for the ensuing year: Chairman of the Association, Edward H. Perkins, Jr.; Secretary, William A. Nash; Manager, William A. Camp.

**THE WALL STREET BANK.**—The receiver of the Wall Street Bank began, on October 20th, the payment of a dividend of twenty per cent. to the depositors, which makes eighty per cent. which they have received. There is no doubt that they will be paid in full, but whether the stockholders will receive anything is doubtful.

**RESUMPTION OF DONNELL, LAWSON & SIMPSON.**—We take pleasure in announcing the resumption of business, on October 22d, of these well-known bankers. When forced to suspend in the May panic, their customers numbered some 400 banks and bankers scattered over the country, mainly at the West, and it has been therefore a work of time to bring about an understanding with all their numerous creditors. But it has been accomplished, and they resume business under auspicious circumstances.

The sentiment in the West towards the firm indicates that the confidence of the public towards them has suffered but little from their suspension. Among other expressions of satisfaction at their resumption is one in the *Kansas City Journal* of October 22d, which says: "To our own people the news is exceptionally gratifying, for the firm are all former residents of this part of the West, and their high character and business integrity are of personal knowledge to the people of Missouri and Kansas. There is now no doubt of a long and prosperous career for the house."

**THE METROPOLITAN NATIONAL BANK.**—A meeting of the stockholders of this bank has been called for November 19th, to consider the question of a discontinuance of business. The assertion is made that the bank has been notified by the Comptroller of the Currency that it will not be allowed to continue business with so large a proportion of its assets in the hands of the Clearing-house Committee, as security for loan certificates outstanding, which were stated in the bank's report of condition, September 30, at \$5,290,000.

**INTEREST ON DEPOSITS.**—This unsettled question, which has been brought up from time to time for many years past, has been considered recently at several meetings of officials of New York City banks, with a view to its settlement. As it has seemed impracticable to obtain the consent of all the banks to discontinue absolutely the payment of interest on current accounts, the proposition is favorably received to reduce the rate that shall be permissible. It is expected that action will be taken at a meeting of the Clearing-house Association, on November 6th, when the matter will come up in the form of a resolution, fixing at two per cent. per annum the maximum rate which any member of the Association shall be allowed to pay, under any circumstances. It is believed that this will be accepted as the best compromise to which general acceptance can be secured at present.

**CHICAGO.**—The establishment recently of the Twenty-Second Street Bank, by Messrs. C. P. Packer & Co., will supply a need heretofore existing among the business men of that part of Chicago in which the bank is situated. It will furnish convenient facilities to people who have hitherto been compelled to transact all their banking business down town, and from this reason especially among others, has every prospect of a prosperous career.

**WASHINGTON.**—The private banking house of H. D. Cooke & Co. suspended payment on October 23d. The firm consists of H. D. Cooke, of Washington City, and A. G. Campbell, of Kansas and Utah. It is stated that the total indebtedness of the firm is \$170,000, of which amount \$30,000 is fully secured. The liabilities are nearly all due to Washington creditors, there being only a few thousand dollars due to creditors in Baltimore, New York and Chicago.

It is also learned at the bank that the suspension results from unfortunate investments dating back a number of years. The firm's unsecured liabilities amounted to about \$400,000 last January, and they have steadily been paid off since that time until they are now reduced to \$140,000. The firm at last reached a point, however, where the remaining assets proved to be unavailable for immediate use in the market, and can be realized upon only by good management and waiting for suitable opportunities.

**BANKING IN CHINA.**—The American Consul at Shanghai, in his report to the State Department, writes that there is no such thing as a bank proper in all China. The Government gives no official sanction to any institution of the kind, and coins no money except the copper "cash." All banks are, therefore, mere private affairs, and, properly speaking, not banks at all. Their operators are merely private bankers. The immense collections of the foreign customs are thus deposited in private hands—a standard firm, who farm the privilege of using, receiving and paying these funds from the Government. The largest banks are said to get their capital from retired officials, who are expected to amass fortunes during their terms of office. These are, in fact, the bankers, and their emoluments are from the profit of the business. These large banks lend out their funds to smaller ones, who deal, in turn, largely with brokers, who lend to traders, mostly on personal security. Sometimes, but rarely, real property is mortgaged as collateral. The rates of interest at the banks vary as in other countries. Long loans on good names can be obtained at eight per cent.; short loans from ten to thirty-six per cent., according to circumstances and customers. I have seen it stated in American newspapers that a failure of a bank in China is never known. This is true in one sense, for there is no bank to fail. But failures of so-called banks are very common. I have known of several in Hankow alone.

WISCONSIN.—The Manufacturers' National Bank of Racine has now a surplus fund of \$100,000, having transferred to this account after its twenty-sixth dividend the sum of \$50,000.

CANADA.—The annual report of the Molsons' Bank shows that its net earnings, which during the previous twelve months were at the rate of over thirteen per cent., were this year 11.78 per cent., a rate which is remarkable in view of the difficulty in finding safe and profitable investments. For several years past this bank has been making, out of earnings, steady additions to its rest, which fund, with the \$100,000 added this year, now amounts to thirty per cent. of the paid capital. The president announced that the latter half of the year's business has been free from loss; he perceives a hopeful feeling among his customers, and a fair demand for money at paying rates.

TELEGRAPHIC TRANSFERS.—Recent financial advices from Europe give an impressive illustration of the use of the telegraph in exchange arbitrage in the method adopted by the French Government to supply Admiral Courbet with money for his operations in the Chinese war. Courbet draws bills upon a French bank having a branch in London. On taking the bills the bank buys from the India Council, in London, telegraphic transfers upon the Treasury at Calcutta. When he receives these cabled orders, the agent of the bank in Calcutta immediately buys bills drawn upon China by merchants who have bought Indian opium. Thus, by purchasing bills in London and in Calcutta, the bank is enabled to place the funds in the Admiral's hands with astonishing celerity. The bank, of course, looks to the Government for the ultimate accounting.

A SHIP CANAL ACROSS IRELAND.—The proposal to construct a ship canal across Ireland is again being agitated. The Dublin *Freeman's Journal* has published particulars of the project, which, it assures its readers, is a reality, and has been warmly espoused by influential Englishmen. Elaborate plans and surveys have been made at considerable expense, and have been submitted by Captain Eads, the American engineer. The proposed canal would be 127 miles in length, and would contain thirty locks. For ships of 1,500 tons the cost would be \$40,000,000, for ships of 2,500 tons \$60,000,000, and for ships of 5,000 tons and upward \$100,000,000. If built on this scale the canal would be 200 feet wide on the surface and 100 feet at the bottom. The passage through would be effected by a system of towage, and it is estimated that the passage of a ship from Galway Bay to Kingstown would occupy between twenty-four and thirty-six hours. An alternate scheme of ship railway, on which the ships would be carried in cradles, which could be constructed for \$50,000,000, is proposed by which the duration of the passage through the island would be reduced to twelve hours. An immense aqueduct would have to be constructed to carry the canal over the Shannon at Banogue. It would be over three miles in length, and would be one of the most difficult and costly works in connection with the undertaking.

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### OBITUARY.

WINTHROP SARGENT GILMAN, senior of the banking firm of Gilman, Son & Co., of this city, died at his summer home in Rockland County, New York, on October 3, in his seventy-seventh year. Mr. Gilman was born in Marietta, Ohio, but received his early business training in Philadelphia and New York. In 1830, having accumulated adequate capital, he went to St. Louis and established a wholesale grocery house, with branches in neighboring towns. He was very decided in his opinions upon the question of slavery, and in consequence encountered, of course, some unpopularity at that time, but he had the courage of his convictions at all times. In 1860 he came to New York and established the banking house which bears his name. Mr. Gilman was known as a business man in nearly every State in the Union. He was very successful, and leaves a handsome fortune. Two of his sons, Messrs. Winthrop and Theodore Gilman, are members of the banking firm, whose business they will conduct as heretofore, without change.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from October No. page 312.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
ARK....	Hot Springs....	Hot Springs Valley Bank.	United States National Bank.
	\$ 15,000	H. M. Rector, Jr., <i>Pr.</i>	B. D. Rapley, <i>Cas.</i>
DAK....	Lake Preston...	Merchants' Exch. Bank....	
		S. E. Fifield, <i>Pr.</i>	G. W. Fifield, <i>Cas.</i>
" ..	Valley Springs.	Minnehaha Co. Bank....	United States National Bank.
		W. Jacobsen, <i>Pr.</i>	A. McGrath, <i>Cas.</i>
FLA....	Ocala.....	Bank of Ocala.....	Imp. & Traders' National Bank.
	\$ 30,000	(J. F. Dun & Co.)	J. M. Blair, <i>Cas.</i>
ILL....	Chenoa.....	Farm. B'k (Jas. S. Kelly & Co.).	Merchants' Exch. N. B.
" ..	Rushville.....	Bank of Rushville.....	National Park Bank.
	\$ 75,000	George Little, <i>Pr.</i>	August Warren, <i>Cas.</i>
IOWA..	Cedar Rapids..	Real Estate Bank.....	
		O. N. Hull, <i>Pr.</i>	C. J. Hull, <i>Cas.</i>
" ..	Hardy.....	W. H. Green & Co.....	Opdyke & Co.
KAN....	Clearwater....	Clearwater B'k (Wilson & Tillinghast).	U. S. Nat'l Bank.
" ..	Junction City..	Central Kansas Bank....	Hanover National Bank.
	\$ 50,000	Hy. B. Pierce, <i>Pr.</i>	S. W. Pierce, <i>Cas.</i>
" ..	Kirwin.....	Traders' Bank.....	First National Bank.
	\$ 12,500	W. H. Wright, <i>Pr.</i>	W. T. Branch, <i>Cas.</i>
" ..	Miltonvale....	W. R. Davis.....	
KY.....	Mt. Sterling....	Traders' Deposit Bank....	
MASS...	Boston.....	Wainwright Bros.....	Edw. Sweet & Co.
MICH...	Menominee....	First National Bank.....	
	\$ 50,000	S. M. Stephenson, <i>Pr.</i>	G. A. Blesch, <i>Cas.</i>
MINN...	St. Paul.....	Germania Bank.....	
	\$ 300,000	E. Albrecht, <i>Pr.</i>	Wm. Bickel, <i>Cas.</i>
MISS...	Vicksburg.....	First National Bank.....	Mechanics' National Bank.
	\$ 100,000	Lee Richardson, <i>Pr.</i>	Wm. S. Jones, <i>Cas.</i>
MO.....	Harrisonville..	Allen Banking Co. ....	
" ..	Kansas City....	Bank of Grand Avenue...	Third National Bank
	\$ 50,000	L. A. Lambert, <i>Pr.</i>	H. C. Lambert, <i>Cas.</i>
" ..	Kansas City....	Kan. City Stock Yards B'k.	American Exchange Nat'l Bank.
	\$ 200,000	C. F. Morse, <i>Pr.</i>	M. W. St. Clair, <i>Cas.</i>
" ..	Lexington.....	Commercial Bank.....	National Bank of Commerce.
	\$ 75,000	Robert Taubman, <i>Pr.</i>	B. R. Ireland, <i>Cas.</i>
N. Y....	Brooklyn.....	Kings Co. Bank.....	
		Daniel D. Whitney, <i>Pr.</i>	O. M. Denton, <i>Cas.</i>
OHIO...	Andover.....	Bank of Andover.....	Chase National Bank.
	\$ 50,000	B. D. Morley, <i>Pr.</i>	A. S. Bates, <i>Cas.</i>
PENN...	Emporium....	First National Bank.....	
	\$ 50,000	Geo. A. Walker, <i>Pr.</i>	Sam'l H. Storrs, <i>Cas.</i>
TEX....	San Angelo....	San Angelo Nat'l Bank...	
	\$ 50,000	R. B. Sanderson, <i>Pr.</i>	W. E. Ellis, <i>Cas.</i>
VT.....	St. Albans....	Exch. B'k, (E. T. Saxe)..	Bank of North America.
" ..	Windsor.....	Windsor National Bank...	
	\$ 60,000	Hiram Harlow, <i>Pr.</i>	J. S. Walker, Jr., <i>Cas.</i>
WAS. T.	Pomeroy.....	Bank of Garfield County.	Kountze Bros.
CANADA	Chatham.....	Bank of Montreal.....	Bank of Montreal.
		Angus Kirkland, <i>Mgr.</i>	
" ..	Dresden.....	Currie & Sharpe.....	
" ..	Lucan.....	R. & J. Fox.....	Canadian Bank of Commerce.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from October No., page 314.)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
ARK....	Arkansas National Bank,	{ Wm. J. Little <i>Pr.</i> .....	J. B. Roe.
	Hot Springs.	{ Ed. Hogaboone, <i>V. Pr.</i> ...	Wm. J. Little.
CONN...	Mystic Nat'l Bank, Mystic.....	S. H. Wheeler, <i>V. Pr.</i> ....	.....
"	First Nat'l Bank, Suffield.....	H. S. Sheldon, <i>Pr.</i> .....	I. Luther Spencer.
DAK....	Merchants' Nat'l B'k, Bismarck.	John Mallanney, <i>Pr.</i> .....	J. A. McLean.
ILL....	Third Nat'l B'k, Bloomington..	Elijah Horr, <i>Pr.</i> .....	J. S. Roush.*
IOWA...	First Nat'l Bank, Iowa Falls... L. F. Wisner, <i>V. Pr.</i> .....		.....
"	Shenandoah N.B., Shenandoah.	W. F. Wilson, <i>Cas.</i> .....	.....
KAN....	First Nat'l Bank, Clay Centre..	M. S. Tousey, <i>Cas.</i> .....	F. H. Head.
"	First Nat'l Bank, Fort Scott....	J. Chenault, <i>Cas.</i> .....	J. Chenault <i>Actg.</i>
"	First N. B'k, Medicine Lodge..	W. W. Cook, <i>V. Pr.</i> .....	.....
KY.....	Exch. Bank, Mt. Sterling.....	L. Thompson, <i>Cas.</i> .....	F. W. W. Thompson
MAINE..	First Nat'l Bank, Skowhegan..	Jas. B. Dascomb, <i>Pr.</i> .....	A. Coburn.
MASS...	Broadway Nat'l B'k, Boston... R. C. Donner, <i>Pr.</i> .....		A. Adams.
"	Nat'l Webster Bank, Boston....	John C. Palfrey, <i>V. Pr.</i> ....	.....
MICH...	First National Bank, Concord..	D. L. Jacobs, <i>V. Pr.</i> .....	.....
"	Three Riv. N.B., Three Rivers.	L. T. Wilcox, <i>Cas.</i> .....	O. F. Millard.
MO.....	Adrian Banking Co,	{ J. Scudder, <i>Pr.</i> .....	H. Mondy.
	Adrian.	{ C. L. Mills, <i>Cas.</i> .....	J. Scudder.
"	Farmers' B'k, Bowling Green.	Judge John McCune, <i>Pr.</i> ...	R. W. Bourn.
"	First National Bank, Clinton..	M. B. Merritt, <i>V. Pr.</i> ....	C. T. Collins.
"	Bank of Salisbury.....	J. H. Finks, <i>Cas.</i> .....	W. H. Hayes.
NEB....	First Nat'l Bank, Central City..	J. J. Chadwick, <i>Cas.</i> .....	J. B. Lazear.
"	First Nat'l Bank, Fairmont....	John H. Welch, <i>V. Pr.</i> ....	.....
"	Omaha Nat'l Bank, Omaha....	R. Carrier, <i>Cas.</i> .....	Wm. Wallace.
N. MEX.	Albuquerque N.B., Albuquerque	W. K. P. Wilson, <i>Cas.</i> ...	E. H. Smith.
N. Y....	Merchants' Nat'l B'k, Dunkirk.	S. M. Clement, <i>Pr.</i> .....	L. Fullagar.
"	People's Nat'l Bank, Salem....	H. W. Hughes, <i>V. Pr.</i> ....	.....
OHIO...	Springfield N.B., Springfield..	F. S. Penfield, <i>Cas.</i> .....	C. A. Harris.
PENN...	Lititz National Bank, Lititz... John Evans, <i>V. Pr.</i> .....		.....
"	Farm. & Mech. N.B., Mercer... John Robinson, <i>Cas.</i> .....		L. Heffing.
"	Shackamaxon Bank, Phila....	John Rose, <i>Pr.</i> .....	Wm. Bumm.*
TENN...	State Nat'l Bank, Memphis....	M. S. Buckingham, <i>Cas.</i> ...	J. A. Hayes.
TEX....	First National Bank,	{ J. H. Draughon, <i>Pr.</i> .....	J. W. Buchanan.
	Texarkana.	{ L. C. DeMorse, <i>V. Pr.</i> ....	J. H. Draughon.
VT.....	Baxter Nat'l Bank, Rutland....	H. H. Baxter, <i>V. Pr.</i> .....	J. N. Baxter.
WAS. T.	Merchants' Nat'l B'k, Seattle... Robt. N. McFadden, <i>Cas.</i> ...		W. H. Reeves.
"	First National Bank, Yakima... A. W. Engle, <i>Cas.</i> .....		E. Whitson.

\* Deceased.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from October No., page 314.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3255	First National Bank.....	Geo. A. Walker,		
	Emporium, PENN.		Samuel H. Storrs,	\$ 50,000
3256	First National Bank.....	S. M. Stephenson,		
	Menominee, MICH.		G. A. Blesch,	50,000
3257	Windsor National Bank.....	Hiram Harlow,		
	Windsor, VT.		J. S. Walker, Jr.,	60,000
3258	First National Bank.....	Lee Richardson,		
	Vicksburg, MISS.		W. S. Jones,	100,000
3259	National Bank of New Brighton.	M. F. Kennedy,		
	New Brighton, PENN.		Chas M. Merrick,	100,000
3260	San Angelo National Bank.....	R. P. Sanderson,		
	San Angelo, TEX.		Wm. E. Ellis,	55,000



## CHANGES, DISSOLUTIONS, ETC.

*( Monthly List, continued from October No., page 312. )*

N. Y. CITY.....	Donnell, Lawson & Simpson; resumed business Oct. 22.
" ..	Lounsbury & Haggin; now Lounsbury & Co.
" ..	W. B. Scott & Co. resumed; firm now Scott Bros.
" ..	H. Tileston & Co.; now Fellowes & Tileston.
DAK.... Buxton.....	Bank of Buxton (Plummer & Hanson); now Hanson & Davis, proprietors.
D. C... Washington....	H. D. Cooke & Co.; suspended Oct. 23.
ILL.... Chicago.....	Day, Field & Colbron; now McCormick, Kennett & Day.
" .. Rushville.....	First National Bank; now Bank of Rushville.
IND .... Morristown....	Morristown Bank; closing up business.
IOWA... Des Moines....	Des Moines Bank and Union Savings Bank consolidated; now Des Moines Savings Bank.
" .. Dyersville.....	Farm. & Traders' Bank; (G. R. Tisdale & Co.); closing out business.
" .. Elliott.....	H. N. Kinkade & Co.; assigned Oct. 21.
" .. Hamburg.....	Welles & Beach; succeeded by Farm. & Merchants' Bank.
" .. Lime Springs....	A. D. Prescott; succeeded by F. M. Clark.
" .. New Sharon....	Kalbach, Sons & Co.; now Kalbach & Sons.
" .. Pattersonville....	J. H. C. Baumann; now Baumann Bros.
" .. " ..	C. L. Davidson; now Davidson Bros.
" .. Red Oak.....	Valley National Bank; now Valley Bank.
" .. Sioux Rapids....	Farmers' Loan & Trust Co.; sold out to Farm. & Merchants' Bank (D. D. Brown & Son.)
" .. Wheatland.....	Peterson Bros.; sold out.
KAN.... Augusta.....	Geo. W. Brown; now Brown Bros.
" .. Junction City....	J. Monroe Smith; sold out to Central Kansas Bank.
" .. Osborne.....	Chas. R. Woolley; closed up.
" .. Solomon City....	Solomon Valley Bank (Park S. Warren); failed Oct 22.
MD.... Baltimore....	Smith, Cox & Co.; now Richard W. Cox & Co.
MASS.... Worcester.....	Geo. T. Rice & Co; going out of business.
MICH... Ishpeming.....	Bank of Ishpeming; bought out by Ishpeming Nat'l Bank.
" .. Marquette.....	Marquette Co. Bank; out of business.
" .. Memphis.....	Geo. N. Carman; out of business.
MINN... Ada.....	Internat'l B'k; bought out by B'k of Ada (W.H.Matthews).
MISS... Grenada.....	N. C. Snider & Son; assigned.
MO.... Harrisonville....	Wm. H. Allen, deceased; succeeded by Allen Banking Co.
" .. Kansas City....	J. F. Corle & Son; closed out.
MONT... Bozeman.....	Sebree, Ferris & White; closed.
NEB.... Humphrey.....	Citizens' B'k (Drebert & Briggie); now Ira B. Briggie, prop.
" .. Tecumseh .....	Farmers' Bank; out of business.
N. Y.... Lockport.....	Lockport Bank Association; suspended October 20
" .. Port Byron....	Geo. W. Latham; closed.
OHIO... Cincinnati.....	Exch. Nat'l Bank; consolidated with Cincinnati Nat'l B'k.
" .. " ..	S. S. Davis & Co.; assigned Oct. 13.
" .. Moscow.....	Deposit Bank (Lemar & McMath); assigned.
PENN... Altoona.....	Mechanics' Savings Bank; closed.
" .. Freeport.....	First Nat'l Bank; went into voluntary liquidation Oct. 10.
" .. Millerstown....	German National Bank; voluntary liquidation.
TENN... Athens.....	Franklin Association Bank; now Bank of Athens.
TEX. .. Hearne.....	B. W. Beckham; out of collecting business.
VT..... West Fairlee....	West Fairlee Savings Bank; closed.
WYO.... Rawlins.....	J. W. Hugus & Co.; succeeded by James France.
CANADA Chelsea.....	Hay Bros.; sold out to J. H. Elliot & Co.
" .. Dresden.....	Dresden Banking Co.; suspended.
" .. Duart.....	Dan'l Campbell; now Dan'l Campbell & Co.
" .. Tara.....	Hay Bros.; sold out to W. Vandusen.
" .. Watford.....	Campbell's Banking Office; suspended.

FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, OCTOBER 1884.

Interest										Closing Prices				
Periods										Periods				
Quarterly										Quarterly				
Mar.										Mar.				
Jan.										Jan.				
Feb.										Feb.				
Jan.										Jan.				
July.										July.				
Low.	High.	Low.	High.	Clos.	Low.	High.	Low.	High.	Clos.	Low.	High.	Low.	High.	Clos.
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## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of October has not fulfilled the promise of September in any branch of business or speculation. Depression and lower prices, without improvement in demand, have been the rule. Manipulation has had less to do with the quotations of speculative articles than it had during the previous month. The cliques in the stock and produce markets have all been compelled to let go, as they have been unable to hold up the load. The outside public did not come in as expected when good crops were assured, for they had no money with which to buy, and the manipulators became tired of playing to empty houses, dismissed their stock companies of broken and subsidized organs, and began to unload the stocks they bought last summer, when they expected the public would come to them presently for these at higher prices. The big men have got caught in their own trap again, just as they were last year before they were compelled to liquidate during a panic. The shorts are therefore the only market they have been able to find, and at constantly lower prices. Vanderbilt, however, was not found napping this year; for, instead of loading up further last summer, when Gould and his following did, he kept steadily selling to them and the shorts, who were able all the while to get from Vanderbilt's strong box all the stocks they wanted, to deliver to Gould and his followers, excepting Gould's own shares. When the latter became convinced of the fact that the former had been selling out on them they stopped buying and began selling also. As soon as they did this, the "tailers-on to the manipulated boom" began throwing over their long stocks also, and hence the heavy and steady decline of this month, led by the Vanderbilt shares, which have had no support from him, as he had evidently stolen the march on Gould and gotten out first. While doing this it now turns out that he had been quietly advancing money to his roads to make up the deficits in most, if not all of them, until they had large floating debts due to him, for which he began taking new bonds of the Central, and will probably follow up by doing the same for Lake Shore, a new issue of which is already being talked of. Hence, Vanderbilt was indifferent to the decline in stocks, as his interests are now more as creditor than as owner of his roads, and bankruptcy, even, would have fewer terrors for him than for any other of our railroad magnates. This leads to the other reason for the heavy break in stocks, namely, the trunk-line railroad war, which was openly declared about the middle of the month, instead of being carried on secretly all the summer. This was precipitated by the breach between the Baltimore & Ohio and the Pennsylvania roads, on account of the refusal of the latter to haul trains of the former over their line from New York to Baltimore. This led to the former making arrangements with the West Shore, over which it has since carried its New York and Western traffic. This threw the gauge of battle down to the New York trunk lines,

especially the Central, which was not slow to take it up, and the war has been carried into Africa and to the very sources of the Nile—or, to the Rocky Mountains. There is not a railroad pool from the Trunk Line to the Colorado that has not been badly shaken, where not practically broken. Vanderbilt is also held responsible for the continuance of this war, as he is for the break in the stock market, and the Bulls say he could stop the whole trouble in five minutes, if he wished. There are well-posted parties who talk of an offensive and defensive alliance between him and the Pennsylvania road, which has for its purpose the purchase or lease, or control in some form, of all the other trunk lines, by which there will be practically only the two systems to the West. Of course, if this is true, the cheaper they can buy them the better, and the present railroad war would be just the thing they want to depress stocks. The fact that Vanderbilt is supposed to have sold out his Reading and Jersey Central stock, by which he held the Pennsylvania in check, and abandoned that State to its control, at the same time the latter declared war on the Baltimore and Ohio, certainly does give color to the reported alliance. If this shall prove to be true, the outlook for railroad stocks, and especially the trunk-line stocks, is dubious for the near future. On this hangs the fate of the latter roads and of the stock market. This is the supposed situation in the stock market and among the railroads, excepting those not embraced in the eastern trunk-line system.

The money market has been very easy for all prudent borrowers. The banks are disposed to grant accommodations as freely as possible with due regard to safety. Collections, however, have not been worse in years. Imports of gold have set in, apparently to last for a time, or until our exports increase materially. Such an increase does not appear likely in the present state of foreign markets for American produce, with their large supplies of home-grown harvests. Our crops have been moving less freely than usual on this account, yet much more freely than had been expected, especially wheat, at these lowest prices ever known for any time here or in Europe. The spring-wheat farmers have sent their crop in rapidly for nearly all the month, and more corn has come forward than the September clique—who ran that option up to \$1 per bushel in Chicago—had expected. Hence they threw their load over in October, after the outsiders had gotten “long” of the November option on the belief that the deal would be carried into that month. The new corn crop was never better ripened or secured than it was this year from one end of the corn States to the other. A 2,000,000,000 crop is generally admitted, and one of fine quality, as well as the wheat crop, both winter and spring. There was a little complaint of smut in parts of the Northwest, but these were contiguous to the localities where the campaign was most exciting. Indeed, there was never a year when all crops were so universally fine and abundant. The misfortune of this country, however, is that the crops were fine and abundant the world over, which leaves the minimum instead of the maximum deficit for us to supply. The root crops, even, and fruits are abundant, and the cotton crop is an average one, with the consumption less, owing to the depression in the cotton manufacturing industry at home, especially, by the closing of more mills during the month. While our industrial inter-

ests are apparently in a worse condition than a month ago. food is cheap, and the hard winter apparently now before us will be mitigated to that extent, at least, and those who earn or have but little, will be able to make it go a good way in keeping the wolf from the door. It is sad to contemplate such a state of our industrial classes, and it would seem well if this country could adopt the system of giving the unemployed work on public improvements in hard times. It would be public economy, as well as humanity, and would tend to shorten periods of depression.

The iron industries that seemed to be looking up a month ago have relapsed into stagnation again, although there has been so much story-telling for political effect by both parties, about the real condition of the iron trade as well as of other manufactures, that it is doubtful if the truth is known outside the trades themselves. True it is, however, that the railroads, which are the great customers for iron goods, are not in position to buy anything they can get on without, with a protracted war and light traffic promised six months or more. Upon this the coal interest depends, although not so largely as in summer. Domestic demand is of course better at this season. But when two tons of coal are offering for every one wanted, the buyer has the call, unless by close combination and restriction of mining, competition may be checked.

The petroleum market has become a gamble pure and simple, breaking and advancing 15 and 20 cents per barrel in a single week and sometimes less. As speculation goes out of stocks it goes into this more and more, while the Standard Oil Company manipulate and milk that market just as the big stock jobbers used to do with stocks, until the public got tired of being fleeced and left the street not to return. So it will be with petroleum soon, unless a different method of business is adopted.

The sugar market has barely steadied up, and looks as if the bottom might have been reached at last, and a point touched at which the over-production of beet sugar in Europe would be checked. But it has ruined the cane-sugar raisers of the West Indies for the time being if not permanently, for it does not look as if cane can compete with beet.

Coffee has dragged along, and the Bulls have lost faith in a short crop of Rio on which they based their hopes last year also to be deceived. They are getting very suspicious of Rio estimates and are waiting to see them verified by actual receipts. So far on this crop, the movement has been up to a full average year, as has been the case in cotton. Tea had a little boom on the first prospect of serious trouble between France and China, more especially on the lower grades. But like all booms this year it was short lived.

Dairy products have moved along in their usual channel without marked fluctuations in prices. The timely rains in the West as well as in the East during October brought up the fall feed which was scorched by drought in September, and the fall make of both cheese and butter will be an average, while exports are very fair.

Ocean tonnage has not been plenty, as the volume of freight to Europe has been light and rates too low to induce shipping to come this way. The rates the world over are no better; and, with the shipbuilding business overdone in England, especially in the freight steamer line, there never was more depression in the shipping trade; over 600 steamers being laid up in English

ports, while more would be if they could afford to do so and have money to pay their assessments for insurance, &c. About the only chartering business there has been this fall for steamers from this side was for cotton from southern ports. Of this the movement has been more free than of anything else, or than usual, as the American markets have been more on a parity with Liverpool this year than usual, owing to the lack of bull speculation in this staple on this side.

The hog cholera scare has caused receipts at the west to increase more rapidly than expected before the winter-packing season began, as it was thought the farmers would hold back their hogs until after New-Year, to feed them all the corn they could with profit. But they are more scared than hurt, apparently as the disease is not epidemic, and is confined chiefly to Pennsylvania and Nebraska. This is more or less true of the West every year. A big corn crop always makes a big hog crop, and after the first of January, if not before, large supplies of both are looked for and lower prices. But wheat is looked upon as too low to remain any longer than this present distrust, or until there is something to advance, when higher prices are looked for on the unprecedentedly low prices, and large consumption together with the belief that there is not as much wheat—old and new crop—in the world to-day as there was a year ago.

The retail and jobbing dry-goods trade complain of much less business than a year ago, and traveling men have actually quit the road, country trade being so bad. The clothing trade, as well as the dry-goods, has suffered by the warm weather of the past month. But all hope for better weather for business as well as more business after the election, which has absorbed more than usual attention in the past month, after being the duller campaign on record up to September 15th. The outlook, therefore, for this month is better although at the opening it was blue enough. At the close there was a slight rally in some of the markets on speculative causes.

The reports of the New York Clearing-houses returns compare as follows:

1884.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>	<i>Surplus.</i>
Oct. 4..	\$ 290,505,200	\$ 76,207,000	\$ 30,767,900	\$ 308,308,900	\$ 13,632,500	\$ 29,897,675
" 11...	290,643,000	77,902,200	32,728,100	314,068,000	12,893,800	32,113,300
" 18...	291,708,400	77,344,800	33,046,200	314,901,000	12,761,800	31,665,750
" 25...	291,683,400	78,392,800	32,723,200	315,732,600	12,920,000	32,182,850

The Boston bank statement is as follows:

1884.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Sept. 27.....	\$ 139,457,800	\$ 7,575,800	\$ 4,677,100	\$ 87,812,300	\$ 23,655,700
Oct. 4.....	140,498,300	7,117,400	4,926,200	90,399,000	23,759,200
" 11.....	140,365,900	6,927,300	4,684,400	90,843,200	24,020,700
" 18.....	140,740,600	6,731,100	4,581,100	91,597,600	23,809,500
" 25.....	141,113,600	6,744,000	5,047,600	92,830,300	23,735,500

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1884.	<i>Loans.</i>	<i>Reserves.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Oct. 4.....	\$ 73,614,519	\$ 21,276,877	\$ 67,833,106	\$ 8,059,808
" 11.....	73,948,448	20,915,781	68,046,937	8,051,006
" 18.....	74,468,194	20,725,702	68,876,346	8,034,475
" 25.....	74,180,007	21,144,375	68,976,768	8,044,828

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows:

QUOTATIONS:	Oct. 6.	Oct. 13.	Oct. 20.	Oct. 27.
Discounts.....	5½@6 ..	5½@6 ..	5½@6 ..	5½@6
Call Loans.....	3 @2½ ..	1½ ..	3 @2½ ..	1½
Treasury balances, coin.	\$129,228,279 ..	\$130,451,347 ..	\$129,897,442 ..	\$130,381,024
Do. do. cur.	\$8 996,563 ..	\$9,180,342 ..	\$10,169,308 ..	\$9,883,012

Sterling exchange has ranged during October at from 4.83¼@4.84¼ for bankers' sight, and 4.79½@4.82½ for 60 days. Paris—Francs, 521⅞@520 for sight, and 524⅞@522½ for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, 4.79½@4.79¾; bankers' sterling, sight, 4.83@4.83¾. Cable transfers, 4.83¼@4.83¾. Paris—Bankers', 60 days, 524⅞@523¾; sight, 521⅞@521¼. Antwerp—Commercial, 60 days, 528⅞@528⅞. Reichmarks (4)—bankers' 60 days, 94⅞@94½; sight, 94⅞@95. Guilders—bankers', 60 days, 39⅞@40; sight, 40⅞@40¼.

## DEATHS.

ALLEN.—On October 1, aged forty-seven years, WILLIAM H. ALLEN, banker, of Harrisonville, Mo.

BLVDENBURGH.—On October 17, aged seventy-five years, HAMILTON BLYDENBURGH, formerly President of the Nassau Bank, of New York City.

BUMM.—On October 1, aged sixty-five years, WILLIAM BUMM, President of the Shackamaxon Bank, of Philadelphia, Pa.

COHEN.—On October 25, aged seventy-eight years, J. J. COHEN, senior partner of the firm of J. J. Cohen & Sons, of Augusta, Ga.

FREEBORN.—On October 8, aged sixty-five years, W. P. FREEBORN, cashier of the First National Bank, of Warren, R. I.

GILMAN.—On October 3, aged seventy-seven years, WINTHROP SARGENT GILMAN, of the firm of Gilman, Son & Co., New York City.

HAVILAND.—On September 24, aged seventy-two years, ROGER HAVILAND, President of the First National Bank, Corunna, Mich.

MAGUIRE.—On October 11, aged twenty-nine years, THOMAS J. MAGUIRE, of the firm of Robert Glendenning & Co., Philadelphia, Pa.

PATTON.—On October 2, aged sixty-nine years, W. S. PATTON, of the firm of W. S. Patton, Sons & Co., Danville, Va.

RICE.—On October 10, aged sixty-two years, GEORGE T. RICE, of the firm George T. Rice & Co., Worcester, Mass.

ROUSH.—On September 27, aged fifty-two years, J. S. ROUSH, President of the Third National Bank, Bloomington, Ill.

TAYLOR.—On October 3, aged sixty-two years, R. C. TAYLOR, Cashier of the Farmers' Bank, Indiana, Pa.

THE  
BANKER'S MAGAZINE  
AND  
Statistical Register.

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DECEMBER, 1884.

No. 6.

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THE TRADE OF THE WORLD.

Some of the leading European nations are bent on extending their trade by grasping certain portions of the earth and permanently retaining them. England long ago lead in this policy, and France and Germany are now following. The latter countries in particular seem desirous of extending their sway in Africa and the East, chiefly, it is believed, to increase the number of outlets for their manufactures and commerce. They are producing far beyond the wants of their own people. One of two courses, therefore, must be followed, either to restrict production, or to find new outlets for the excess. The acquisition of territory seems to be the most attractive policy, partly, we suppose, because a firmer grip is obtained on the people than there would be if commerce were wholly free and unrestricted. Great Britain, even while professing to be a lover of free trade, does not carry this principle to the extent of cultivating freedom in the exercise of political rights. She never misses an opportunity to add to her colonies. One island after another, beside sections of Africa and of Asia, have been added to the British Empire, and then after the political rope has been securely thrown around the inhabitants, Great Britain has calmly proclaimed the doctrine of free trade to them. But, as before remarked, she has always preferred to have free trade prefaced by the capture of political rights whenever such a thing was possible. By doing so it was easy to proclaim the doctrine of free trade, while always securing a market for her own people. In other words, by thus first subjecting the people to British rule, it was an easy



matter to control their trade, whatever might be the general principles announced on which it might be conducted. The great advantage of thus having or owning a people in order to secure their trade is so great, that we do not wonder why European nations that are 'solicitous to extend their trade should be desirous of seizing on the weaker portions of the inhabited earth. We have no doubt that the vast Continent of Africa will long before the close of the present century be parcelled out among France, England, Germany, Italy, and other European nations. Russia is making a steady inroad on Asia, and the remainder is likely to pass sooner or later under the sway of the nations already mentioned. The prime object of getting control of these countries is to make sure of their trade.

As for South America, we are not so sure that the people living there will escape the attention of European nations. When the United States was engaged in civil war, France invaded Mexico, and unwillingly abandoned the country. That is a rich land on which England and other foreign countries have cast a jealous eye. In this contest it may be that American people have no interest. Nothing, however, is lost by watching the designs of foreign nations on the Western Continent. If we are to have nothing to say with respect to their invasion of Africa and Asia, we should say something if they ever cross the sea as we did when France invaded Mexico.

If one compares the map of the world twenty-five years ago with the map of to-day the progress made by England, France, Germany, Russia and Italy in acquiring territory is, very noteworthy. New boundary lines have been established everywhere. The Sick Man of Turkey is dying, and as we all know, Russia and England have been eagerly waiting to seize on the inheritance. Russia became so eager a few years ago that she could wait no longer, and engaged in a war, the result of which was the slicing off of a pretty good portion in Asia; and if in the dismembering of Turkey in Europe, Russia was unable to acquire as strong a grip as she desired, nevertheless she went far toward weakening Turkish rule in that quarter. In any event, the end of Turkish rule in Europe is not far off. France has long been cultivating Northern Africa, and with some degree of success. Doubtless she will push her conquests more rapidly in future in that direction as well as in Asia. Germany has awakened to the possibilities of the time, and is quite active in Africa. German intelligence and energy, which are so noteworthy in our generation, are likely to bring forth abundant fruits in that quarter, and right speedily. These conquests are mainly in the interest of trade. The home market everywhere is too narrow and confined, hence foreign markets are sought. But right here the question may be asked, if trade be a gain to both

parties, why should European nations be so eager to extend it? Is not there a little deeper side to this matter? It is true there must be a gain to both parties in an exchange, otherwise it would not take place. But may not the gain be very much larger to one party than to the other, and is this not the cardinal fact which leads European nations to extend their manufactures and commerce? This fact we think is clearly borne out by the long experience of the world. Nations wish to widen the trade area, because they believe that by so doing they will gain richly at home. In all these colonial conquests the fact is unquestionable, that the conquering nation has more thought of enriching its own people than of enriching the people conquered. It has not in view an equal gain; while the people annexed or conquered may gain temporarily, and in some respects permanently, the greatest advantage in all these cases is to the conquerer. For example, the conquest of India has been followed by an enormous trade with Great Britain. India has gained much by contact with English civilization, but commercially has gained far less than Great Britain; and the British trader is likely to complete the ruin of the people of India. Certainly the inhabitants of India are far poorer than they were before the conquest. The taxes are enormous, discontent is great, and the country is skinned for the benefit of the British trader, and the same holds true in a greater or less degree with almost every English dependency.

There is no disputing these facts. Colonial trade is, in the long run, an unfair trade. The gain on the one side is greater than the gain on the other. If some portions of the world are better civilized from a closer union with other people, in other regards they are impoverished. Whether they are or not, the extension of colonies is going on at a rapid rate of progress, the meaning of which is the extension of the world's trade.

We need not be very much concerned in this country concerning the extension of our trade. We have an enormous market at home with which we ought to be satisfied. The course for us to pursue is to make good things, sell them at a reasonable figure, and maintain our trade against all invaders. It is true that we may very properly extend our trade to Mexico and South America, for this is in the natural line of development, but as to cultivating markets very far away, we have quite enough to do to feed and clothe the rapidly increasing millions in our own country. In times of depression, like the present, we often hear about the necessity of having a foreign trade, but depression does not always exist, and the necessity for such trade in order to work off our surplus products exists only at considerable intervals. We should never forget that the great bulk of our trade is with our own people at home. Our internal commerce, as we have elsewhere shown, is of vastly

more consequence than our foreign commerce. Let us not, therefore, trouble ourselves concerning foreign markets. Let us seek to develop our own markets, and supply the people at reasonable prices. To satisfy their manifold wants and add to the National and individual welfare in all wise ways, these ends are quite enough to absorb the energy and ambition of every rational citizen.

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### CUTTING RAILROAD RATES.

Several of the New York and Western railroad companies are enjoying the luxury of a war in rates. It was begun between the New York Central and the West Shore Companies. The latter, in order to attract business, reduced rates for transporting passengers, and the New York Central, determining to maintain its long-occupied ground, followed the reduction sharply. The field of controversy has spread, and whether the contest is long continued or not, the loss will be great.

The real cause, however, of this war lies deeper. There are many who believe that free and unrestricted competition is a cure for all the ills of business. If the rates for transporting passengers and freight are too high, and profits great, the believers in the omnipotence of competition say that new railroads will be built through the natural cupidity of capital to share in the gains, and that by thus extending the means of communication the evil of high rates will cease. This is a very convenient and easy theory, and doubtless a great number of cases may be cited to prove its truth. But not only is the theory imperfect, in some cases it is grievously so, and the adoption of it as a remedy frequently works an injury of an irreparable nature.

When the several trunk lines between New York and the West formed a pool, what was the motive which led them into this arrangement? Merely this, that under free and unrestricted competition they made war on each other, and all were thereby injured. These injuries appeared in impaired dividends, and in depleted transportation facilities. They wisely concluded, therefore, that instead of competing, it was better to agree on certain rates, not too high or too low, and to maintain them. This was in the interest of shipper as well as transporter, for, as we have shown again and again, in a war of rates the shipper as well as the transporter is often injured. What the shipper desires more than anything else is a certain rate rather than a low one. Of course, the ideal rate is one that is both fair and certain, but of the two evils from which shippers have suffered, the uncertainty in rates has been a much greater evil than that of excessive rates for transportation. Hence,

in forming the pool both have been benefited, the shipper as well as the transporter. The railroad companies can manage their business with greater security, forecast their profits more accurately, and better regulate their outlay, while the shipper can make his contracts for the purchase and delivery of grain with a full knowledge of all the conditions attending the transaction. He knows now that there is no danger of having his profits swept away by reason of the sudden advance of rates as has happened again and again when transportation companies were sharply competing with one another, and altogether free to conduct their business through their whims and caprices.

It is, no doubt, true that the formation of this pool has led to the construction of several new railroads between the East and the West, notably the West Shore and the Nickel Plate, and the extension of the Delaware, Lackawanna and Western. But there were quite enough railroads before to transact all the business without the construction of new ones. These new companies, not understanding, or ignoring, the former history of the railroads existing, invaded their domain. A vast amount of capital has been expended in this manner, running into the hundreds of millions. Now who is to gain by these fresh railroad creations? The shipper was well served before, and there is not the slightest probability that he will be served any better from this increase of transportation facilities. Those who invested their capital in these enterprises are not likely to get very quick or good returns, for there is not business enough to warrant good dividends. The old lines are not to be benefited, for to some degree surely their business will be impaired. There is not enough business for all. This fact is certain. The conclusion, therefore, inevitably follows, that some classes of investors in these new enterprises are to be heavy losers.

It is a very pertinent question whether the State ought not to interfere in such cases to prevent the wasteful expenditure of so much capital. Of course the objection is readily made, "Let each man look out for himself. If he be foolish enough to invest his money in railroad enterprises that are not likely to pay, his folly is his own, let him suffer." But this is only one side of a very important matter. Another side is this, those who have already invested their money would gladly prevent the construction of rival railroads if they had the power. But they are powerless. Not only may railroads be paralleled, but any number of railroads may exist along side of one another. It is said in defence of the action of the projectors of the West Shore Railroad that Mr. Vanderbilt managed the New York Central unwisely, charging too high rates, and rendering a poor service; therefore, as a grand patriotic scheme, the West Shore was conceived and built.

What, then, ought to have been done? If Mr. Vanderbilt was

not running his road with a due regard for the interest of the public, the legislature of New York should have interfered, or the executive of that State, and he should have been compelled to serve the public more efficiently. In many States the railroad commissioners are active and efficient in looking after the interest of the public as well as the owners of railroad properties. They make needful regulations for the running of trains, for the dispatch of business, and for the greater security of life and property. Their powers are very varied in the different States, but in all of them they have served a useful purpose, and surely if such officers existed in New York State they could have served a useful purpose there. They could have been empowered to put proper restrictions about the New York Central, such as would have been helpful to the public. This should have been done, and the construction of a road like the West Shore prevented.

We are inclined to go further still in this matter. We are inclined to think that if the National Government appointed railroad commissioners who should have certain authority over roads and their measures, pertaining to the welfare and the security of persons and property, the public would be benefited. Among other powers should be that of enabling them to prevent the construction of parallel lines. If persons complained of the rates charged, they should heed these complaints and administer immediate and adequate relief, not by authorizing a rival railroad to be built, but by the very much quicker method of reducing the rates on freight and passengers. The opinion is rapidly growing. There are many very thoughtful railroad men who think the time has come for the Government to interfere, and that it is its duty to do so to prevent the destruction of property by the construction of parallel lines.

In these modern times the functions of every government are enlarging. Even Great Britain, which is such a profound believer in the doctrine of self-independence and self-development, is undertaking to do more and more every year. Some of the upholders of governments are called socialists, simply because they are believers in the extension of the powers of the Government and nothing more. The tendency among us is in the same direction. But with respect to the management and care of railroads we seem to be making progress very slowly. We are still inclined to treat these very much like private concerns and keep our hands off. Nevertheless the need of having fixed rates of freight and passenger service, and the prevention of the building of rival lines, is becoming greater every day. If the State did these things, good results would probably follow. Not a perfect result, for in all governments imperfection must exist. Yet we cannot help believing that the public would be the gainers were this done. To try the experiment would cost nothing and might yield a great gain.

## VOLUNTARY ARBITRATION.

One pleasant feature connected with the business transacted at exchanges is the settlement of disputes by arbitration. Committees exist in many of these institutions, whose business is to settle disputes arising among members. If appeals were always made to the courts their business would be enormously increased. These appeals are now quickly heard and determined. We do not suppose that the judgments rendered are always the most intelligent, but, on the whole, probably better justice is obtained, and certainly at a much cheaper rate than would be through an appeal to the long-established legal tribunals. How slow and expensive they are every one knows. It may be added, too, that the decisions of the courts are not always satisfactory—certainly not to both sides.

The Court of Arbitration of the New York Chamber of Commerce has existed for a considerable period. A great many cases have been tried before it, and, on the whole, a very large degree of success has attended the experiment. This court differs somewhat from the arbitration committees of the exchanges. It was established by Act of the Legislature in 1875, and invested with all the powers of the Supreme Court of New York. It does not differ materially, however, from the Equity Court of the New York Produce Exchange, except that the rules for its workings are more carefully prepared. It is to be hoped that this mode of settling disputes will grow in public favor. First, because all the legal tribunals are over-burdened with other business, and their proceedings are dilatory and expensive. Again, the proceedings before the arbitration committees are swift, fair, and less costly. The lawyers, too, occupy a less prominent sphere in these arbitration proceedings, which is a great gain. Needful as this class of persons are to a community, in many ways, after all they are less needful than many persons imagine. There are thousands of disputes which could be easily settled without their presence. They mystify, rather than clarify, proceedings. In these arbitration cases the parties appear, state their case, the witnesses are speedily examined, the truth is ascertained, and an intelligent judgment is rendered. What more is required? The sooner the great merits of these tribunals are recognized the better for society.

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## WOMAN'S RIGHTS AS TAXPAYERS.

The people of this country have just indulged in the pleasure of voting. One large class, however, remained away, either cooking, gossiping, or engaged in other ways. The day of female suffrage is not yet, and for aught that we can see, is as far off as ever. In truth, the agitation on that subject, which was begun many years ago, has in a large degree died away, nor is it likely to be soon revived.

There is one aspect of the question, however, which does not fade out of sight. There are a great many women in this country holding property and paying taxes thereon who have no voice nor influence with respect to the use of the money thus paid. In our large cities, this is particularly noticeable. Heavy taxes are levied on them as on others, and yet they are silent concerning municipal expenditure. Now, it is unquestionably true that a very large class in the cities who pay no taxes and have no property are interested in making expenditures as large as possible in order to obtain the largest supply of work. Thus two classes are diametrically opposed to each other. The taxpayer who is in favor of public economy, and the tax receiver who is in favor of the largest public expenditure.

In the last number of the *Westminster Review* there is a short and readable article entitled, "Women Ratepayers' Right to Vote." The writer, among other things, says: "There is a great injustice in the regulation by which she is excused none of the rates or taxes for which women are liable, and yet is shut out from the privilege of self-government, the right of being consulted concerning the expenditure of the public money which she has provided, and of voting for or against laws which affect her life or property."

General as the opposition is to permitting women to exercise the right of suffrage, the wrong done to them by thus depriving them of any right or power to determine what disposition shall be made of the money drawn from them by way of taxation weighs heavily on thoughtful minds. Is it not possible to give them the right to act through another if it be unwise for them to act directly themselves? Surely if their resources are to be drawn away from them for public uses, they ought in some way to act with respect to its disposition.

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## FINANCIAL FACTS AND OPINIONS.

The amount and description of United States bonds deposited for bank note circulation were as follows, at the dates mentioned :

	<i>October 11.</i>	<i>November 8.</i>	<i>November 15.</i>	<i>November. 22.</i>
Currency, '6s.	\$ 3,469,000 .	\$ 3,509,000 ..	\$ 3,519,000 ..	\$ 3,519,000
Coin, 4½s...	49,605,950 ..	49,900,450 ..	49,993,750 ..	50,131,250
" 4s. ....	116,983,450 ..	117,175,950 ..	117,175,950 ..	117,208,450
" 3s. ....	158,610,100 ..	152,502,300 ..	150,618,500 ..	149,789,500
	<u>\$ 328,668,500 ..</u>	<u>\$ 323,087,700 ..</u>	<u>\$ 321,307,200 ..</u>	<u>\$ 320,648,200</u>

Between October 11 and November 15 a call for \$10,000,000 of the threes matured November 1. Calls of that kind are likely to be much less frequent than heretofore.

The Currency Bureau report that there has been, during the past year, a net increase of \$15,000,000 in the aggregate capital of the National banks. It may happen that both their aggregate capital and number will continue to increase hereafter, even if their circulation largely diminishes. Under the present laws all the existing banks could legally remain in operation if their aggregate deposit of bonds for circulation should fall two-thirds below what they now are.

The internal revenue, which was \$144,553,344 during the fiscal year ending June 30, 1883, fell to \$121,590,039 during the fiscal year ending June 30, 1884, as a consequence of the total repeal of certain taxes, and of the reduction of the tobacco taxes. The Revenue Bureau estimates the amount during the current fiscal year at \$115,000,000, although it is now somewhat swollen by extra receipts from the taxes on whiskey. The tariff revenue was \$195,067,489 during the last fiscal year ending June 30, 1884. During the three depressed years ending June 30, 1879, when the rates of duty were about the same as they now are, although higher, rather than lower, the annual average of the tariff revenue was \$132,892,407, and is very likely to fall to that figure again, if the present depression continues as long and becomes as intensified as the majority of persons believe that it will. It is true that our population is larger than it was in 1877-8-9, but there has been, since that time, a development of our mining and manufacturing industries which tends to restrict imports, and the increased capacity of the country to produce wheat for export is partly, if not wholly, offset by the extraordinary fall in its price. If the tariff revenue really does fall to \$132,892,407, Congress, instead of having a surplus to dispose of, may have to cast about for new methods of recruiting the revenues or reducing expenses. Clearly, the wise thing to do for the present is to hold on to all our resources, until we can see how protracted and searching the current commercial depression is to be.



The Director of the Mint estimates the consumption of gold in the arts in this country during the calendar year 1884 at fourteen and a-half million dollars, or, after making allowance for old jewelry reworked, at thirteen million dollars of new gold. He estimates the aggregate annual consumption in the United States, Great Britain, France and India at fifty-three millions, out of the total estimated production in the world of ninety-four millions of gold.

At the close of business on the thirty-first of October, the available cash balance in the United States Treasury was \$149,042,301, of which \$10,000,000 was required to meet the bond-call maturing the next day. With that deduction, the balance was only \$85,077 in excess of the forty per cent. reserve, which it is the rule of the Treasury department to keep on hand for the redemption of the greenbacks.

The reduction of the net public debt during October was \$8,307,192, which makes the reduction for the first four months of the current fiscal year \$32,890,377. At that rate the reduction for the year would be \$98,671,131, but there can hardly fail to be a considerable falling off in both the customs and internal revenue before the year is out. In addition, it may be expected that the pensions expenditures will be increased by new legislation during this winter's session of Congress. The money drawn from the Treasury for pensions during October was \$1,962,370. During November and December it is expected to aggregate \$15,000,000.

A city contemporary (the *Evening Post* of November 10), after lamenting that "the prices of nearly all commodities are still on the decline, not only in this country, but in Europe," proceeds to notice, as "one favorable feature," the arrival on that day of some gold from France. There are certainly two sides to the question whether further importations of gold from Europe under the actual circumstances constitute a "favorable feature" of the situation. We cannot drain away gold from Europe without still further lowering prices in the market to which the principal bulk of our exports are and must be sent. A gold famine in Europe means ruinous prices for our cotton, cereals, provisions, petroleum, &c., and it means, also, such reduced prices of the manufactures of Europe as will send them here to be sold for whatever they will bring, thus subjecting our home industries to a destructive competition. There is really no probability that we can permanently retain the gold that is coming this way across the Atlantic. It will more likely be forced back by such defensive measures of the great European moneyed institutions, as the recent rapid raising of the rate of interest by the Bank of England from two to five per cent. In a struggle for gold between America and Europe there are blows to be received, as well as blows to give.

The Post Office department estimates its deficiency for the current fiscal year at \$4,825,539, to be supplied by an appropriation from the United States Treasury.

We have had many reports from Wall Street during the past month, of large London purchases of American railroad stocks, but we suspect that they have been, in most instances, nothing more than London speculative dealings in such stocks on margins. The English financial journals give that account of the matter. The London *Economist*, of November 15, says, in respect to such stocks, that "investors hold aloof," and under recent developments it is not wonderful that they do. American first mortgage railroad bonds maintain a good position in London, but it is altogether clear that American railroad stocks are not now in favor there.

During the four months ending October 31, our imports of gold were \$8,948,777, while the exports were only \$604,608.

A city contemporary reports an interview with a European mercantile firm long established in Mexico, in which the opinion was expressed that American manufactures would not supersede European manufactures in that country. Among other things they said: "We can make goods cheaper than you can. *We have got to do it.*"

It is certainly true that nations generally find some way of doing what necessity compels them to do, and densely populated countries like England and Belgium, which must export the products of their mines and mills in order to supplement their home supplies of food, will be found hard competitors in neutral markets. They must sell, even if in order to do so wages must be forced down close to the starvation line, and the profits of capital close down to the vanishing point. Contending in the markets of the world with such competitors has nothing inviting about it, and no necessity for it can be said to have arisen so long as our manufacturers do not supply the home markets, as is conclusively shown by the fact that the flood of European goods entering our ports in spite of tariff duties shows as yet little or no abatement.

The months of July, August and September, 1884, show a falling off, as compared with the same months of last year, from thirty to twenty-eight millions of dollars, or six and two-thirds per cent., in the exports of Canada, and from twenty-six to twenty-five millions of dollars, or four per cent., in the imports. As general prices have fallen, between the periods compared, very much more than the money valuations of Canadian exports and imports, there must have been a decided increase in the quantities of both.

The Canadian Minister of Agriculture and Railways estimates the total cost from the Atlantic to the Pacific of the Canadian Pacific Railway system at \$100,000,000, toward which the Canadian Government has contributed subsidies of 25,000,000 acres of land and \$28,000,000 in cash.

According to statements made in London by the officials of the Canadian Pacific Railway, the section across the Rocky Mountains will cost \$4,000,000 less than the estimates, and the completion of a continuous railway line from Montreal to the Pacific Ocean will be reached in September, 1885.

The London *Economist* says that, while it is generally known that the Dutch are, next to the English, the greatest holders of American railway shares and bonds, the actual extent of their holdings is far beyond ordinary estimates. Going into particulars, it states that the European ownership of the issues of the Denver and Rio Grande, Illinois Central and the Louisville and Nashville, is chiefly in Holland, which is also "heavily interested" in the Missouri Pacific and the Buffalo, New York and Philadelphia, with which two last-named roads England has scarcely meddled at all. It adds that "Frankfort is a small edition of Amsterdam" in its speculations in all the roads referred to. Without saying so in so many words, the *Economist* intends to compliment British investors upon their superior sagacity in avoiding operations in which the Dutch and Germans are likely to be heavy losers. But in the matter of buying United States bonds during and after the civil war, it was the investors on the Continent of Europe who showed more sagacity, in the sense of making more money, than the English did. It is probable enough that British capitalists still feel a little sore at the mistake which they then made, and now find some relief in pointing to the losses of Amsterdam and Frankfort in such railroads as the Denver and Rio Grande.

British official statements make the total number of Irish emigrants to all parts of the world 56,951 during the first nine months of 1884, whereas it was 87,821 during the first nine months of 1883. The falling off is large, but the immigration is still in excess of the natural increase of the Irish population, which does not exceed 40,000 per annum.

When the Reciprocity Treaty with Mexico was ratified last spring by the Senate, it was understood that as an equivalent for admitting certain Mexican raw products, notably sugar, into this country, our manufacturers were to have certain preferences in Mexico in the repeal or reduction of duties. It may be that that understanding of the case was, and is, the correct one, but statements of more or less authority are made, that Mexico reserves the right to give to other nations the same privileges it gives to us.

The American Consul at Bristol (Eng.) reports that while there is some agitation in England in favor of reviving the issue of £1 notes, "the plan is assailed by many and ingenious arguments, and is unlikely to be adopted for a long time to come." His view of the improbability of any immediate action on the subject is confirmed by information from other sources. The only argument

in favor of action which he seems to have heard, are the worn and unsatisfactory condition of the British sovereigns and half sovereigns, and the belief that the lack of small circulating notes creates a multiplication of small checks, which throw upon bankers a great amount of labor, for which they get a very inadequate compensation.

An English statistician, Mr. Giffen, finds that the fall in the price of sugar between 1861 and 1882 was only about the same as the fall in the price of wheat and cotton, and much less than the fall in wood, timber and rice; and that the price of sugar, even in the present year (1884), is not more depressed than that of wheat.

The export of the wheat crop of 1884 in Manitoba, which was expected to be 8,000,000 bushels, is not now estimated at more than 3,000,000. The harvest was injured by rains, and some of the wheat, which was sown too late, was frost-bitten. In the Argentine Confederation this year's wheat export is expected to be 6,000,000 bushels. It is only a few years since it furnished a considerable market for flour from the United States. It has 800,000 square miles of fertile pampas on which wheat can be grown, and only lacks population to be able to supply the present demand of all the wheat-buying countries. European immigration into the Confederation is very large, and it is nearer to Europe than either India, Australia, or our Pacific States.

It was not until 1880 that the Argentine Confederation established a mint and coinage of its own. The basis of its new money is bi-metallic, there being a dollar, or *peso*, of both metals. The silver dollar contains the same quantity of silver as a French five-franc piece, and both the silver and gold dollars are nine-tenths fine, which is the French standard of fineness, and the same which has existed in the United States since 1837. The Argentine law of 1880 provided that as soon as the gold coinage reached \$8,000,000, and the silver coinage \$4,000,000, which they did about a year ago, no foreign coins should be a legal tender. The banks are allowed to issue circulating notes of as small a denomination as one dollar. The Government reserved the right of issuing a paper fractional currency of denominations below one dollar, to the amount of \$8,000,000, and it exercises this right through a contract with the National bank. The actual circulation of coin must be exceedingly limited under these conditions.

Upon the recommendation—which is in the nature of an order—of the French Ministry, the French colonies of Gaudaloupe, Gaboon and Cochin-China (now including more or less of Tonquin) have imposed duties upon imports from foreign countries higher than upon imports from France. The policy of protection established in that country by the first Napoleon, instead of yielding in any de-

gree to the doctrines of free trade, seems to be more closely adhered to than ever before.

Greece has arranged with a Berlin company to negotiate a loan, a portion of which is to be used in paying off a debt to certain Greek banks, to which the privilege had been granted, until the debt was paid, of issuing irredeemable legal-tender notes. At present these notes, issued in excess, and somewhat depreciated, constitute the currency of the country, and the intention of the Greek Government is to restore the coin standard. The English financial journals understand that the new money is to be kept at the gold standard, although it may consist in part of silver coins, kept at that standard by limitation of quantity. How much metal of any kind will be employed in the Greek circulation will depend upon the amount and denominations of the paper money to be still used. The recent Italian resumption of specie payments was accompanied by the continued circulation of \$1 and \$2 notes.

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### INTEREST ON COUNTRY DEPOSITS.

The banks of New York for a considerable time have been making efforts to reduce the payment of interest on country balances. They have been trying to unite in a movement to this end. Various meetings have been held, but nothing effective has been accomplished. The belief has prevailed that it was necessary to act in harmony in order to act effectively. Most of the banks were willing to unite in reducing interest, but several strenuously refused, and their refusal has been regarded as fatal to the movement.

This is a very old subject. One reason for declining to unite is the fear that the agreement, if made, might be broken. The experience in endeavoring to maintain rates among the members of the New York railroad pool is well known. The banks are far more numerous than the railroads, and it would be a much easier matter for them to overthrow or nullify any agreement that might be made than the railroads. Not that any bank is likely to violate an agreement into which it deliberately entered, but, if its interest was to be promoted by changing the rate, it is highly probable that some way would be found to do so, possibly by withdrawing from the agreement. However desirable it may be to reduce interest on deposits it is questionable whether the banks would not be less free from criticism by acting independently in this matter. It is true that unity of action is very desirable, in some regards, in order to sustain themselves against dangers which occasionally threaten them, but in paying interest on deposits they may very wisely act alone. The country does not look with a great deal of favor on business

unions, and while these are very desirable under certain circumstances, and should be made, yet it is clear that they should not be made unless there be a real need for them. In this matter each bank is quite competent to decide for itself. The community will lose nothing by independent action among them.

### MEXICO AS A GRAIN PRODUCING COUNTRY.

The story has been recently started that a syndicate of capitalists has been formed for the purpose of producing grain, sugar, tobacco and other products in Mexico, and exporting them to other countries, especially to the United States. It is asserted that they will employ vast bodies of coolies, who will work at low wages, and the projectors can thereby produce at a very low cost. In other words, it is asserted that a kind of China can be made of Mexico, and sugar and other products be raised and sold at prices that will defy competition. Of course the climate of Mexico is favorable for the experiment, and capital can be easily obtained for any enterprise that promises to pay a fair dividend.

In 1881 Mexico produced 5,400,000 tons of corn, and the syndicate expect that at least three times this quantity will be produced. By constructing the proper transportation facilities this can be transported to the sea-board, whence it can be readily sent to Europe or the United States. There is no evidence that the West and other sections of our country are at all frightened by the designs of this syndicate, but it would not be surprising if with the present vast abundance of unemployed capital sooner or later some enterprise of the kind were not attempted in Mexico. The richness of the soil, the healthfulness of the climate, and many other physical conditions are tempting to capitalists; on the other hand, the unsettled state of the Government and the high rate of taxation, will repel many from investing in that quarter. But capital must do something. It cannot always remain unemployed. To remain in this condition long is to be of no account. Unless employed in reproduction a man with capital is no better off than the man not having a cent. Therefore, if ways cannot be found for getting speedy returns, capital will assume risks of some kind. On the whole, perhaps the risks by investing in Mexico are no greater than many which are run elsewhere. English capital put into South America during the last twenty-five years has run as many risks as if it had been put into Mexico. We would not be surprised, therefore, if something eventually grow out of this scheme. The experiment will be watched with a great deal of interest.

## THE ISSUE OF LEGAL-TENDER NOTES.

Two days after the banks and the Government suspended specie payments, a bill was introduced into the lower House of Congress providing for the issue of demand Treasury notes, and declaring them to be a legal tender in payment of debts. The bill, though, was more than forty-eight hours old when introduced. Ever since the presentation of the Secretary's annual report, a Sub-Committee of Ways and Means had been preparing a bill to create the National bank system recommended by Mr. Chase. But, while thus engaged, the committee concluded "that it would not be passed and made available quick enough to meet the crisis then pressing upon the Government for money to sustain the army and navy." Mr. Spaulding, one of the members drafted a legal-tender Treasury note section, "hoping, at first, that it might be made available by issuing legal-tender notes direct from the Treasury, while the bank bill was put in operation throughout the country." This section of the bill read: "For temporary purposes, and until the circulating notes authorized by this Act shall be issued and put in circulation by corporations and associations, to the aggregate amount of \$100,000,000, the Secretary of the Treasury be, and he is hereby, authorized to issue \$50,000,000 of Treasury notes on the faith of the United States, payable on demand, without specifying any place of payment, and of such denominations as he may deem expedient, not less than \$5 each, which shall be receivable for all debts and demands due to the United States, and for all salaries, dues, debts and demands owing by the United States to individuals, corporations and associations within the United States; and such Treasury notes shall also be a legal tender in payment of all debts, public or private, within the United States, and shall be exchanged at any time at their par value the same as coin, at the Treasury of the United States and the offices of Assistant Treasurers in New York, Boston, Philadelphia, St. Louis, and Cincinnati, for any of the coupon or registered bonds which the Secretary of the Treasury is now, or may hereafter be, authorized to issue; and such Treasury notes may be re-issued from time to time as the exigencies of the public service may require."\*

The foregoing section was eliminated from the bank bill and introduced into the House as a separate bill on the 30th of December, and referred to the Committee of Ways and Means.

\* The latter portion of the section related to signing the notes, and re-enacted the law of December 23d, 1857, authorizing the issue of Treasury notes so far as it did not conflict with the foregoing enactment.

The committee consisted of nine members. Beside the chairman were Justin S. Morrill, of Vermont; John S. Phelps, of Missouri; Elbridge G. Spaulding, of New York; Valentine B. Horton, of Ohio; Erastus Corning, of New York; Samuel Hooper, of Massachusetts; Horace Maynard, of Tennessee, and John S. N. Stratton, of New Jersey. In selecting the members the speaker evinced a clear realization of the greatness of their duties.

During the war of 1812, when the public credit had become impaired, a bill authorizing the issue of legal-tender notes was introduced into Congress, but promptly rejected. Mr. Dallas, who was then at the head of the Treasury department, wrote to the Committee of Ways and Means, "that the extremity of that day cannot be anticipated when any honest and enlightened statesman will again venture upon the desperate expedient of a tender law." The dreadful effects of issuing legal tender paper money during the Revolution were vividly realized by him; nor had they in truth, even in his time, entirely passed away. In 1839 Erskine Hazard, editor of the *United States Register*, urged in his paper and in letters to members of Congress the issue by the Government of legal-tender notes to the States in proportion to their representation, which were to be applied to State purposes. They were to be deposited by each State in its banks as a basis for bank circulation in place of gold. But the country was to be spared many years from the use of this expedient.

As soon as Mr. Spaulding's bill was printed "it was taken up in the Committee of Ways and Means and duly considered. Mr. Hooper took active ground in favor of the bill. Mr. Stevens, at first, had some doubts about its constitutionality, but very soon decided to support the measure. Mr. Morrill, Mr. Horton and Mr. Corning actively opposed the bill in the committee and in the House. Mr. Maynard and Mr. Stratton took no active part in the discussions while the bill was under consideration in the committee. It is believed, however, that Mr. Maynard was favorable to the bill from the start, while Mr. Stratton was very much in doubt what course he would take in relation to it, either in committee or in giving his vote in the House. Mr. Phelps was absent, and took no part while the bill was under discussion in the committee. The committee, therefore, were quite equally divided over the measure."

One of the questions which troubled the committee was a constitutional one. The attorney-general, Edward Bates, was asked for his opinion, and, though declining to give it, wrote an unofficial note, in which he maintained that "the Constitution contains no direct verbal prohibition, and I think it contains no inferential or argumentative prohibition that can be fairly drawn from its expressed terms. The first article of the Constitution, section eight, grants to Congress specifically a great mass of power. Section nine con-



tains divers limitations upon Congress, upon the United States, and upon individuals; and section ten contains restrictions upon the several States. This last section is the only one that treats on tender. 'No State shall make anything but gold and silver coin tender in payment of debts.' This applies to a State only, and not to the nation; and thus it has always been understood with regard to the next preceding clause in the same section, 'No State shall emit bills of credit.' The prohibition to emit bills of credit is quite as strong as the prohibition to make anything but gold and silver coin a legal tender; yet, nobody doubts—Congress does not doubt its power to issue bills of credit. Treasury notes are bills of credit, and I think the one is just as much prohibited as the other—neither is forbidden to Congress."

When the committee first voted on reporting the bill they were evenly divided, but Mr. Stratton finally consented to vote in favor of the measure so that it might be reported to the House. In this way the bill passed through the Committee of Ways and Means. No essential alteration had been made therein, except to increase the amount of notes to \$100,000,000.

After the bill was introduced, adverse criticism was heard in many quarters. Mr. Spaulding, in replying to one of the critics, declared that the committee advocated the measure not from "choice," but from "necessity." In his letter which was dated the eighth of January, he briefly set forth the condition of the finances at that time. "We will be out of means," he says, "to pay the daily expenses, in about thirty days, and the committee do not see any other way to get along till we can get the tax bills ready, except to issue, temporarily, Treasury notes. We must have at least \$100,000,000 during the next three months, or the Government must stop payment. With the navy, and an army of 700,000 men in the field, we cannot say that we will not pay." The necessity for passing the measure became more and more apparent, and many who at first were opposed to it changed front. This was notably the case with many of the most influential journals. No other way could be devised for getting the money needed soon enough, and money, of course, must be had to sustain the war.

Delegates from the banks visited Washington (January 11). They met the Secretary of the Treasury at his office. At the meeting, the banks of Boston, New York, and Philadelphia were represented, most of the members of the Finance Committee of the Senate were present, as well as the House Committee of Ways and Means, the Secretary of the Treasury, and other gentlemen representing boards of trade of various cities.

The action of the Committee of Ways and Means in reporting the legal-tender bill was the cause of their assembling. James Gallatin, who at that time was the President of the Gallatin Bank of

New York, made the principal speech against issuing legal-tender notes, and on behalf of himself and those representing the banks of the three cities mentioned, and of the boards of trade, submitted the following plan for raising money to carry on the war:

1. A tax bill to raise, in the different modes of taxation, \$125,000,000 over and above duties on imports.

2. Not to issue any demand Treasury notes, except those authorized at the extra session in July last.

3. Issue \$100,000,000 Treasury notes at two years, in sums of \$5 and upwards, to be receivable for public dues to the Government, except duties on imports.

4. A suspension of the Sub-Treasury Act, so as to allow the banks to become depositaries of the Government of all loans, and to check on the banks from time to time, as the Government may want money.

5. Issue six-per-cent. twenty-year bonds, to be negotiated by the Secretary of the Treasury, and without any limitation as to the price he may obtain for them in the market.

6. That the Secretary of the Treasury be empowered to make temporary loans to the extent of any portion of the funded stock authorized by Congress, with power to hypothecate such stock, and, if such loans are not paid at maturity, to sell the stock hypothecated for the best price that can be obtained.

This plan, it will be noticed, was silent concerning the National bank system. The only feature of Mr. Gallatin's plan which was favorably regarded by the Senate and House Committees and by Mr. Chase, was the first, relating to taxation. The meeting adjourned without maturing any plan for raising money to support the Government.

Subsequently the bank delegates and other persons consulted with Mr. Chase, and the result was (January 15) an approval of the Secretary's plan for raising money, and launching the National bank system. The following plan was then matured and adopted:

1. The banks will receive and pay out the United States notes (authorized by Act of July last) freely, and sustain in all proper ways the credit of the Government.

2. The Secretary of the Treasury will, within the next two weeks, in addition to the current daily payments of \$1,500,000 in United States notes, pay the further sum of at least \$20,000,000 in 7-30 bonds to such public creditors as desire to receive them, and thus relieve the existing pressure upon the community.

3. The issue of United States demand notes not to be increased beyond the \$50,000,000 authorized by the Act of last July, but it is desired that Congress should extend the provisions of the existing loan Acts passed at the extra session in July, so as to enable the Secretary to issue in exchange for United States demand notes,

or in payment to creditors, notes payable in one year, bearing 3.65 per cent. interest, and convertible into 7-30 three-years' bonds, or to borrow under the existing provisions to the amount of \$250,000,000 or \$300,000,000.

4. It is thought desirable that Congress should enact the National currency bank bill, embracing the general provisions recommended by the Secretary in his annual report.

5. It is expected that this action and liquidation will render the making of the United States demand notes a legal tender, or their increase beyond the \$50,000,000 authorized in July last, unnecessary. This plan was not well received.

Mr. Spaulding says that "the press spoke out plainly against the Secretary being authorized to put United States bonds on the market without any limitation as to the price he might obtain for them." But the plan adopted by the Secretary contained no such recommendation. It is true that the plan recommended by the banks at the first meeting contained such a feature, but as that plan was not adopted there was no occasion for anyone becoming disturbed by anything it contained.

The committees of the Senate and House withheld assent, and the majority of the Committee of Ways and Means adhered to the legal-tender bill "as being a more available plan, and on a much larger scale. They believed it was necessary to authorize immediately an additional issue of \$100,000,000 of United States fundable notes to circulate as money and be made a legal tender; and that \$500,000,000 six-per-cent. twenty-years' bonds should be authorized, so as to enable the holders of the notes, when issued, to fund them at any time in these bonds."

Accordingly an additional section was framed and adopted by the Committee of Ways and Means "to enable the Secretary of the Treasury to fund the Treasury notes and floating debt of the United States," authorizing him "to issue, on the credit of the United States, coupon bonds, or registered bonds, to an amount not exceeding \$500,000,000, in sums of \$100, \$200, \$500, \$1,000, \$5,000, \$10,000, and \$20,000, and in such proportions of each as the exigencies of the public service may require, bearing interest at the rate of six per cent. per annum, redeemable after twenty years at the pleasure of the United States, which bonds the Secretary of the Treasury is hereby authorized to deliver at their par value to any creditor or creditors having demands due against the United States in payment thereof, and to deliver the same to officers, employers and individuals, in payment for services rendered, for supplies, subsistence and materials furnished to the United States; and he may also exchange such bonds at any time for lawful money of the United States, or for any of the Treasury notes that have been, or may hereafter be, issued under any former Act of Congress, or

that may be issued under the provisions of this Act." At the same time the title of the bill was thus amended: "An Act to authorize the issue of United States notes, and for the redemption or funding thereof, and for funding the floating debt of the United States."

A conference was held with Mr. Chase over the bill, and several amendments were suggested which related to limiting the place for exchanging notes for bonds to the Treasury at Washington, and preventions against counterfeiting. The bill was left with him for examination, and when returned to the committee it was accompanied with a letter, in which, after describing several minor modifications, he closes with "regretting exceedingly that it is found necessary to resort to the measure of making fundable notes of the United States a legal tender, but heartily desires to co-operate with the committee in all measures to meet existing necessities in the mode most useful and least hurtful to general interest."

The bill was again reported, January 22d, as a substitute for the bill previously introduced providing simply for the issue of \$100,000,000 legal-tender notes, and made the special order for consideration on the 28th of the same month. "Each day's delay made it more and more apparent that the bill must pass in order to meet the overwhelming demands made upon the Treasury to sustain the army and navy. The end seemed to justify the means contemplated by the bill."

In opening the debate, Mr. Spaulding stated that there was at that time over \$100,000,000 of accrued indebtedness in different forms which ought to be soon paid. "With this large accrued indebtedness, and with the prospect that (unless this bill is adopted) the Government will put on the market, to the highest bidder, a still further issue of bonds, to the amount of \$250,000,000 to \$300,000,000, to pay current expenses to July next, it is not expected that even the present price of United States stocks can be maintained if forced on the market at this time: We have the alternative, either to go into the market and sell our bonds for what they will command, or to pass this bill, or find some better mode—if one can be devised—to raise means to carry on the war. The Secretary has the means of defraying the daily expenses required to be disbursed from the Treasury for only a few days longer. He has on hand about one-fifth of the loan made in November last, a small portion of the demand Treasury notes authorized by the Act of July, say, \$10,000,000 not yet issued, and such of the remaining 7 3-10 and 3-65 Treasury notes authorized by that Act as can be used in paying contractors for supplies, and for salaries and other Government dues, to such persons as are willing to receive them. With the enormous expenditures of the Government, to pay the extraordinary expenses of the war, it requires no extended calculation to show that

the Treasury must be supplied from some source, or the Government must stop payment in a very few days."

He then described the difficulty in borrowing money. "You cannot borrow of capitalists any more money on twenty-years' seven-per-cent. bonds, nor on your 7 3-10 Treasury notes at the rates fixed by the Act of July last. If you offer to the people, and put on the market, \$300,000,000 more, to the highest bidder, in the present aspect of affairs, they would not be taken, except at ruinous rates of discount. That policy would depreciate the bonds already taken by the banks and the people who are the most loyal to the Government, and who came forward as your best friends and furnished the means so much needed during the last few months to organize your army and navy; and, besides, depreciation would greatly increase the debt by requiring a much larger amount of bonds to be issued than would be needed if your loans were taken at par. A loan put upon the market in the present depressed state of United States stocks, to be followed by other larger loans, is not regarded as a favorable mode of providing the means for maintaining the Government at the present time. If it had been adopted at first it might possibly have been the best mode; but it is now too late to essay that plan, and I believe it would be ruinous to adopt it. I fear the twenty-years' six-per-cent. bonds would, under the pressure, fall to 75, 70, 60, and even 50 cents. This would be a ruinous mode of raising the means to carry on the Government."

What, then, was to be done? The Secretary of the Treasury had suggested two modes—the issue of demand Treasury notes, and a National bank currency secured by a pledge of Government stocks. His recommendations were made before the suspension of specie payments, an event which the Secretary had not expected. The plan for launching a new banking system could not be hastily matured and put into operation, and after that was done a considerable time would elapse before Government would be much benefited by it. The same thing was true in respect to the measure for increasing the revenues of the Government. "The duties received at the different custom-houses, and the taxes levied at the extra session or that may now be levied," said Mr. Spaulding, "will be wholly inadequate to meet the requirements of the Treasury in the present emergency during the next six months."

"If you cannot borrow the money on the credit of the United States, except at ruinous rates of discount, and cannot realize the amount required from your tariff and tax bills, in what mode can the means be obtained, and the Government be carried on? It is believed that the only way in which it can be done is by issuing Treasury notes payable on demand, and making them a legal tender in payment of all debts, public and private, and by adequate taxation to be enforced by new bills."

The debate flamed highest around the question of the constitutionality of the bill. This question was discussed in the opening speech, and by nearly all who participated in the discussion. The most elaborate speech against its constitutionality was delivered by Mr. Pendleton, of Ohio, exhibiting great learning and a thorough mastery of the subject. The Secretary's letter, which we have given, was regarded by a majority of the committee of ways and means, and by many others, as colorless on this point, and not a few believed that if he were pressed to declare his opinion it would be against the constitutionality of the bill. In order to obtain his opinion more fully, Mr. Corning offered a resolution when the measure was in the possession of the Committee of Ways and Means, referring it to the Secretary, and requesting him to communicate to the committee at as early a day as possible his opinion of the propriety and necessity of immediately passing the bill. The resolution having been adopted, and the bill sent, the Secretary, after considerable delay, replied that "the condition of the Treasury certainly needs immediate action on the subject of affording provision for the expenditure of the Government both expedient and necessary. The general provisions of the bill submitted to me seems to be well adapted to the end proposed. There are, however, some points which may, perhaps, be usefully amended.

"The provision making United States notes a legal tender has doubtless been well considered by the committee, and their conclusion needs no support from any observation of mine. I think it my duty, however, to say, that in respect to this provision my reflections have conducted me to the same conclusions they have reached. It is not unknown to them that I have felt, nor do I wish to conceal that I now feel, a great aversion to making anything but coin a legal tender in payment of debts. It has been my anxious wish to avoid the necessity of such legislation. It is, however, at present, impossible, in consequence of the large expenditures entailed by the war, and the suspension of the banks, to procure sufficient coin for disbursements; and it has, therefore, become indispensably necessary that we should resort to the issue of United States notes. The making them a legal tender might, however, still be avoided if the willingness manifested by the people generally, by railroad companies, and by many of the banking institutions, to receive and pay them as money in all transactions, were absolutely or practically universal; but, unfortunately, there are some persons and some institutions which refuse to receive and pay them, and whose action tends not merely to the unnecessary depreciation of the notes, but to establish discrimination in business against those who, in this matter, give a cordial support to the Government, and in favor of those who do not. Such discriminations should, if possible, be prevented; and the provision making the

notes a legal tender, in a great measure at least, prevents it, by putting all citizens, in this respect, on the same level both of rights and duties."

The debate continued and the Treasury was getting low. The third of February the Secretary wrote to Mr. Spaulding, "Immediate action is of great importance. The Treasury is nearly empty. I have been obliged to draw for the last installment of the November loan; so soon as it is paid, I fear the banks generally will refuse to receive the United States notes. You will see the necessity of urging the bill through without more delay."

In this letter he also reiterated his opinions concerning the constitutionality of the bill. "It is true that I came with reluctance to the conclusion that the legal tender clause is a necessity, but I came to it decidedly, and I support it earnestly. I do not hesitate when I have made up my mind, however much regret I may feel over the necessity of the conclusion to which I came." Such are the utterances of Mr. Chase with respect to the constitutionality of the bill while it was under discussion by Congress.

On the fourth of February, by consent of the House, Mr. Morrill offered a substitute, having the sanction of one-half the Committee of Ways and Means, Mr. Stratton, one of the members, having changed his mind, and forced the substitute instead of the bill first reported.

Mr. Morrill remarked when explaining the bill that he did not object to the issue of United States notes to a limited extent to circulate as currency. But he did wish to have the amount marked by metes and bounds, and based on a solid foundation, and be the full equivalent of standard coin. This could be done by fixing the amount and by providing taxation sufficient to retire them or to maintain their full value. But he protested against making anything a legal tender but gold and silver. He proposed no new issue of Treasury notes, but to leave the fifty millions already authorized to be issued and re-issued as might be found necessary or convenient. This would secure us against an inflated currency.

"Then," he continued, "it is proposed to issue \$100,000,000 in United States notes, bearing interest at the rate of three and sixty-five hundredths per cent., payable at the pleasure of the United States, and allowing them with accumulated interest to be received for all debts and demands (taxes included) due to the United States, except duties on imports, and exchangeable at the will of the holder, whenever presented in sums not less than fifty dollars, for United States seven and three-tenths per cent. coupon or registered stock. They are also to be received at par, with accumulated interest, for any bonds the Government may hereafter issue. These are to be paid out for all salaries, debts and demands due to individuals and corporations, at their option within the United States. In substance

this is very like English Exchequer notes issued in anticipation of revenue. It is most probable that these notes would maintain their credit at or near par; and if there should be any difference between these and gold, it would be an honest difference visible to all men. As they accumulate they will be funded and returned, or re-issued, as the exigencies of the Government may require. They equip the Treasury as well as any legal-tender paper could do, while bearing interest they would not pass into the general volume of the currency, and they afford the only possible channel of obtaining any considerable sums to be consolidated into stock. They cannot exceed the amount of internal duties that will be levied, which will create a sure and constant demand for these notes, and sustain their credit in every State and territory in the country."

The notes were not to be received for imports. For this purpose only coin could be used, which was to be paid as interest on the bonds issued by the Government. It was also proposed to issue \$200,000,000 in bonds payable in ten years with interest semi-annually in coin at the rate of 7 3-10 per cent., and \$300,000,000 of bonds payable in twenty-five years bearing six per cent. interest payable in like manner. This was the rival plan before Congress, and it certainly evinced quite as wide and deep knowledge of the situation as the other.

(TO BE CONTINUED.)

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## THE PREVENTION OF PANICS.

It is estimated that the number of financial failures for the present year will reach 11,500, against 10,190 for 1883, and the end is not yet. The rate of interest on sound securities is sufficiently low, but there appears to be a disposition on the part of capitalists to keep their funds well under control, as if they feared some change which would operate injuriously, and they hesitate to make long loans, or engage in enterprises which would create a demand for what appears to be an overproduction of merchantable commodities. Hence there is want of animation in our trade, and considerable anxiety felt as to the future.

During the years 1863 to 1866 inclusive, there were reported but 2,165 cases of failure, and the amount involved was comparatively insignificant. It will be remembered that these were years of inflation, and that under the operation of the unwise, unconstitutional, unnecessary legal-tender act, our dollars were at times not worth half price. The debtors who had promised to pay by the gold standard were permitted by that act to settle with depreciated paper, and find themselves unexpectedly rich at the expense of their creditors. All went well until the passage of the act of 1869, the



first one signed by General Grant after he became president. This promised that our legal-tender paper dollars, which for three years previous had not varied much from seventy cents, should be paid at par out of our first available means, and they rose almost at once to ninety, and added at least twenty-five per cent. to all currency contracts then in force. The crisis of 1873 was the legitimate consequence of that act. Leaving that for the present, let us consider the cause of our existing difficulty, and whether the cause can be removed. Paradoxical as it may at first appear, it is nevertheless true that our trouble now comes from the fear of inflation, for this has caused contraction by the withdrawal of capital on the part of those who perceive plainly enough that we are drifting, as we have been for some years, since the passage of the Bland bill, toward the substitution of silver as our money standard in place of gold; and the creditor naturally objects to being paid eighty-five cents instead of one hundred, and if he is a foreigner, collects his demand and takes the money home with him; and the creditors at home, like sensible men, have been doing the same thing.

In a recent number of the *North-American Review*, a writer asks, "Are we a nation of rascals?" This would seem to be rather an impertinent question if he had not brought forward statistics to show that, judging by the action of several of the States, the answer would be in the affirmative so far as they were individually concerned. But what shall we say for the nation, as a whole, while Congress, representing us, has repeatedly changed our money standard, and in both directions, without making any provision for the contracts then in force which would be affected? Our constitution wisely forbids legislation by individual States which tends to impair the validity of contracts. All such acts are either repudiation, or equivalent to forgery, and ought not to be thought of except with express provision for contracts or obligations to pay money then existing.

Now let us suppose that the United States Treasurer should decide to pay and receive silver instead of gold, or perhaps use it in making payments, and then refuse it for receipts, as we did the legal tenders. Would not the standard be changed, and every creditor be defrauded? A young, borrowing nation, or individual, with a character to establish, cannot afford to be dishonest, and therefore we say that as a question of mere policy, we should settle this matter at once and forever by declaring that as a standard of value we will have nothing to do with silver or paper, but that it shall be gold, and that only. Least of all can it be paper, in the form of notes, which have all the necessary indications of authenticity, but may be reduced in size by their circulation as currency, so that treasurers, like Mr. Spinner, can boast, as he did, of the amount made by the Government by the discount for the amount of paper

worn off. Since then there has been something of the same kind in regard to the purchase of a larger number of less valuable silver dollars with gold, and the consequent increase of our wealth. Marking up the price of our merchandise does not add to its value, and while we may flatter and deceive ourselves, we do not deceive others. Neither can we by human legislation, override, or set aside, natural or divine laws. We cannot determine the relative cost of any two commodities or products of labor, for that, by the action of natural laws, is liable to constant fluctuation. Gold itself changes; but its great *fluidity*, or the readiness with which it conforms to change, together with other peculiar qualities which it possesses, fit it especially for our use as a standard by which to indicate the price of other more common products of labor.

And we have the additional reason for adopting it exclusively, in the fact that England since the last resumption of specie payments in that country, more than sixty years since, has wisely adhered to gold, and so long as London continues to be the commercial center of the world, the pound sterling will be the standard by which all coins and all currency will be measured. We may object as much as we please, and still be compelled to submit. Degrade our gold so much as one per cent., and the effect will be felt sooner or later in the price of exchange and commodities both at home and abroad. We cannot change our standard in either direction without affecting prices, and we should never make a change without a distinct provision for the integrity of all existing obligations. This is simple common sense and common honesty, and yet we go on and repeatedly change our standards, our tariffs and our taxes in ways which inevitably defraud and wrong multitudes of innocent people, and set an example in high places, which, unless changed in the right direction, will raise up in future "a nation of rascals," such as we cannot as a young, enterprising, growing nation afford to tolerate. There is but one safe course for us to follow, and that is to cease coining silver, and abandon the idea of a double money standard. And we shall sometime learn that it is not necessary to have any considerable amount of idle gold on hand as the basis of our notes, especially in the form of coin to be used as currency. What we do require, and will eventually have, is a sufficient amount of notes issued under such conditions, that not only the people generally, but the agents of the Government equally, can use them as small change in the transactions effected mainly by means of checks, drafts and other forms of paper over which governments have no control.

There is no specie behind all this paper, which constitutes at least nine-tenths of all the currency used, and yet it is as truly payable in specie as the bank note. But the creditor in either

case only desires that the paper he receives shall purchase and pay upon the same terms as gold. To secure this desirable result we have but to provide for issue through the banks, as our agents, such an amount of notes as our commerce may from time to time demand, with a provision that they shall always be convertible into funds equal to gold at the commercial center toward which they naturally flow, and where they are consequently most valuable to the holder. And there should be paid into the treasury a reasonable proportion of the profit on the circulation. The directors of the issuing banks should be required to deposit with the proper officer a sufficient sum in valuable productive securities to make it certain that they would faithfully perform their duty as our agents, by being directors in fact as well as in name, so that the institutions under their management might be safe subordinate centers, around which our business transactions would be kept in order. We ought first to insist upon a common or international money standard. At least we should agree with France and England, that twenty-five francs, the pound sterling, and five dollars, should have the same weight and fineness and consequently the same commercial value. There should be no objection to this, as all existing contracts would be at once commuted or changed into their equivalents, as should be done in every case of similar character. The gain would be incalculable, but so apparent that all would be surprised that the change had not been made earlier.

And there should be also international currency, so that notes could be converted without extra charge into such as were equal to specie funds in London, and consequently better than gold everywhere.

We should have a central institution in New York, and branches in other cities, and these should attend to the redemption of the notes, and also take charge of and disburse the Government funds. We do not need the Sub-Treasury, which had its origin in the idea that the United States Government must have agents and fiscal machinery different from the people whose agent it is. The war taught us the use of paper instead of specie, and now the Government wisely becomes a member of the Clearing-house association in New York. The very foundation on which the Sub-Treasury system was erected has been taken from under it, and none too soon.

It can hardly be expected that the suggestions which have been offered will meet with universal acceptance, though it is hoped that disinterested men who really care for the welfare of our rapidly growing country will agree that something should be done if possible to arrest the progress of the demoralization which seems to be spreading like a dark cloud over our people.

Those who are interested in the production of silver naturally

desire to keep up the price, and they foresee, as we all can, that if our Government ceases to purchase and commences to sell, as it certainly should, there will be a lower price.

But shall the whole nation suffer, and our enterprising men who would employ capital and labor be kept in perpetual suspense and anxiety in order that a single industry may flourish?

We know there is a considerable number of intelligent men, both here and abroad, who have believed that there must be a specific, legally-defined relation between the amount of notes in circulation which they call currency, and the specie on hand in the issuing banks, and as they think the amount of gold within reach is insufficient, they propose to add silver, and flatter themselves that by the action of the Government they can fix the relation between the two metals and thus get out of their dilemma.

We have, of course, to meet the opposition of this class, who, to a certain extent, favor the interest of the silver producer, though some of them, it is well understood, are at last beginning to see the consequences to our commerce which have already come of the silver coinage.

As has been said already, all mature commercial paper is payable in gold, as much as the bank note, and this will not be denied. But it will not be believed as readily, though it is quite true, that bank notes, though a great convenience, are not a necessity. Currency, as Mr. Webster told us many years since, consists of all those things with which we effect our commercial transactions, and bank notes are a very small portion of this and could be dispensed with altogether, and checks substituted, as is done in England, where as yet they have not learned how convenient and useful the notes are. Currency, whatever its form, should have in its proper sphere of action, the same purchasing and paying power as gold, and when it has, it will always be preferred. If the banker issues notes by legal authority, and places sufficient security in the control of the Government to insure his fidelity, he may be trusted as to reserves and other details, about which there is a great deal of useless, not to say impertinent, legislation.

Let us first insist that the coinage of silver dollars shall cease, and that all contracts for the payment of money shall be made by the gold standard. We shall then find our business will revive, our creditors will have more confidence in us, and allow their capital to be invested on long time, so that we can engage in extensive enterprises and improvements safely. Then we can discuss and decide other questions as we cannot at present.

DAVID WILDER.

## STOCK CLEARING.

The achievements of the system of bank clearing, in multiplying the power of the currency medium, naturally leads to the extension of the principle to other departments of trade. The competition of capital in search of profitable employment increases with the growth in the wealth of the country. The trade based upon that wealth expands in turn, until the common medium of value by which the exchanges of commerce are conducted is insufficient to meet the increased wants of that trade and a tightness ensues in the money market. But money is only one of the evidences of wealth. Another is a class called "stocks." These are certificates of shares in moneyed corporations. As we cannot increase the amount of either of these upon demand, we employ means to increase their power. We make one dollar and one share do the work of three.

This is the object of stock clearing.

The bank clearing is simply an offsetting of cash against cash and the receipt and payment of a difference. The stock clearing provides for doing the same thing, and in addition to that, offsets the certificates representing the property in exchange for which the cash is paid. The bank clearing economizes the use of the currency medium, by offsetting the settled claims of the customers against each other upon the evidence of checks drawn on the banks; but the stock clearing goes a step further and offsets the transactions from which these claims arise, thus still further reducing the necessity for the use of the currency medium by reducing the number of checks required to be so drawn upon the banks.

The scope of an undertaking to settle in this manner the transactions of dealers in securities, is,

*First.*—To ascertain from reports furnished by dealers, the net difference in shares due from each on the day's transactions to all the others.

*Second.*—To ascertain the amount of cash to pass to and from each in consideration for the said shares.

This part of the work is called the "adjustment."

*Third.*—To receive the certificates of shares from each and deliver them to those to whom they are due, and,

*Fourth.*—To receive the cash due from each and pay it to those to whom it is due.

This is called the "settlement."

While this comprehends the entire business of the stock clearing, and, as so far stated, seems a simple proposition, there is an im-

perative condition under which it must be done which greatly limits the possibilities by the methods in use. It is this: that the work must be done during banking hours. More: it must be done in half that time. The stock Clearing-house differs in that respect from every other business. The banks themselves, the brokers and all others, if overcrowded with business, can work their clerks all night if necessary; but not so the Clearing-house. It must settle up everything before the banks close in order that the dealers can meet their obligations there; and before it is able to settle, must reach an exact adjustment of all the claims and allowances, which means that it must prove the correctness, not only of its own work but of that of each and every dealer. Bankers and brokers can begin their business at nine o'clock, or earlier if necessary, but the clearing cannot begin before twelve o'clock, because time must be given the members to make up their reports and provide their shares for delivery. This reduces the time allowed for clearing, or settling the entire business done by several hundred dealers in five hours, to two hours and a-half. In a small business this condition is not a serious obstacle to a successful clearing with a method deficient in economical properties, but after the limit of time and capacity of clerical labor has been reached, any increase in the volume of business can only be met by devices for the multiplication of the power which can be advantageously applied, and for economy of time.

The object of stock clearing is twofold in character: (1) to economize the use of the currency medium by reducing the number of payments in cash, and of bank credits, by removing the necessity for over-certification of checks; and (2) to reduce the labor and risk in handling valuable securities by reducing the number of deliveries of certificates.

#### CLEARING IN THE NEW YORK STOCK EXCHANGE.

In the largest bank Clearing-house in the country, and, for that matter, in the world, both in number of members and volume of business, the New York Bank Clearing-house, the number of accounts daily settled is sixty-three, in which about one hundred and sixty men are employed during the clearing. A Clearing-house for the leading exchange of the country, the New York Stock Exchange, would have probably a daily average of three hundred and fifty or four hundred accounts requiring settlement in cash, and in about a hundred different securities besides the cash. While smaller exchanges have put into successful operation methods which serve their purposes, it is significant of the practical difficulties of performing this work on a large scale, that this exchange still continues the methods employed since its inception, nearly a hundred years ago. It is not because its members have failed to recognize

the advantages afforded by an effective system, but because their frequent efforts in that direction have only met with failure.

Encouraged by the success of the gold clearing in 1868, the exchange attempted to apply the method employed there to the clearance of shares, but after a brief course of about a week the effort expired. A few years later, in 1873, the movement was renewed. No practicable system was known except the one in use in Europe, but that was applicable only to transactions made according to the peculiar laws, forms and customs of business in vogue there, which are widely different from ours. There practically all their shares are bought and sold with the understanding, that if the purchaser does not resell before an understood future date called the "settling day" he has until that day to prepare for payment. If he does sell to purchaser number two, and he to purchaser number three and so on to number five, the clearing affords all the parties this advantage, that seller number one delivers the shares directly to purchaser number five, and by so doing relieves the intermediate parties who have no shares to handle and but a small sum in cash differences. In this country, practically all transactions are made upon the condition that the shares must be delivered on the one hand and paid for on the other, on the following business day. The exchange having found its own method impracticable, and being unable to adapt this foreign method to its rules and customs, to reach the end sought, undertook to adapt its customs to the method. In that year, 1873, it amended its constitution so as to permit the purchase and sale of stocks "for the account," a term applied to the transactions which are to be carried over until the "settling day." The expectation was that the adoption of the clearing method could then be accomplished. But it is not easy for any single body, however powerful financially, to change the business customs of a great community—customs which have had a natural growth under conditions of government and trade different from those existing in the country, the customs of which it is proposed to adopt. It is not known that this extension of the privileges was ever availed of to any extent by the brokers. On the contrary, it made no impression upon the methods of doing business, which continued as before.

Little more was said on the subject of clearing until 1879. The apparent hopelessness of securing any satisfactory machinery bred indifference in the majority of the members. In December of that year, however, Mr. H. Osterberg proposed an adaptation of the European method, intended to make *daily* clearings, or settlements rather.\* Although the exchange as an organization took no part in the movement, about a hundred of the leading members signed

\* Description of the different methods referred to here are given under their proper heading.

an agreement to settle their business through a house provided by him. It was managed by Mr. Osterberg under the direction of a committee of the subscribers. It made but two clearings, when it was deserted by its members, who returned to their old methods of making deliveries and payments.

On the first of July, 1882, a new provision of the National banking law went into effect, which threatened to seriously disturb the business methods of the exchange, the business of which is largely dependent upon its banking facilities. This provision prohibited National banks from certifying the checks of any customer to a greater amount than the sum which he actually had on deposit at the time. Under the method of making separate delivery of each lot of stock sold, and receiving payment for same, it necessarily occurs that before such stock can be delivered it must be received from some other source and be paid for. The deliveries cannot be made and the money received for some time after, and before those checks can be deposited in the bank, the checks first drawn have been presented at the bank for payment (or certification) *i.e.* in advance of the making of the deposit. Without banking facilities the broker would be required to keep a considerable capital idle in order to enable him to make his exchanges, which require it but an hour or so each day. To avoid such an alternative, the banks agree to lend their credit to the brokers for a consideration. The credit is furnished by the bank certifying the broker's checks in excess of or in advance of his deposits. The amount is limited in each case, and the excess must be made good before three o'clock, the hour of closing. But the bank has no security in case the overdraft is not made good. The consideration given by the broker is the keeping on deposit of an amount of money which is never to decline below a certain sum. This is, of course, much less than the broker would be obliged to keep on hand in cash were he to dispense with the bank credit. For instance, a broker keeping a daily credit balance of \$100,000, is usually allowed an over-certification of \$500,000, or more. If he keeps a balance of \$20,000, he obtains a credit of, perhaps \$100,000. The interest on the broker's deposits is the consideration received by the bank.

The legislative prohibition against the banks belonging to the National banking system taking such risks was not a new one. But it had been a dead letter on the statute books, because there was no penalty attached to its violation. The new provision fixed a penalty upon the officer of any bank "over-certifying" any check, of a fine not to exceed \$5,000, and imprisonment not to exceed one year. Up to this time the business community had not understood the extent to which this over-certifying had been practiced. Many leading bankers and [wealthy brokers denounced the new law



as an unwarranted interference by the Government in the conduct of their own business affairs. Presumably, in justification of the action of the banking department of the Government, the Comptroller of the Currency, in December, gave publicity to some figures previously withheld. It was shown that for several years last past, this practice had so grown that on a certain day selected by chance, the certification for stockbrokers of nine National banks of New York City was more than nine times the aggregate capital of those banks. On that day the total certification of fifty New York banks reached the extraordinary sum of \$137,316,600, \$105,000,000 of which was by these nine banks. The growth of this business is shown by the following, taken from the Comptroller's report at that time:

<i>Date.</i>	<i>No. of Banks.</i>	<i>Capital.</i>	<i>Certified Checks.</i>	<i>Capital of 9 Banks.</i>	<i>Certifd. Chks. by 9 Banks.</i>
June 22, 1877.....	47	57,400,000	29,450,134	14,300,000	19,191,192
Oct. 1, ".....	47	57,400,000	29,499,900	14,300,000	19,576,591
June 29, 1878.....	46	55,600,000	42,580,240	13,750,000	29,134,950
Oct. 1, ".....	46	53,486,300	40,296,100	12,700,000	26,147,765
June 14, 1879.....	47	50,750,000	44,465,002	11,700,000	30,274,422
Oct. 2, ".....	46	48,750,000	68,827,717	11,700,000	42,875,036
June 11, 1880.....	46	50,450,000	75,737,938	11,700,000	54,521,170
Oct. 1, ".....	45	49,900,000	61,791,510	11,700,000	43,396,496
June 30, 1881.....	48	51,150,000	78,142,179	11,700,000	53,820,513
Oct. 1, ".....	48	51,150,000	97,522,120	11,700,000	71,635,603
July 1, 1882.....	50	51,500,000	65,101,191	11,700,000	45,563,450
Oct. 3, ".....	50	57,650,000	137,316,600	11,700,000	105,481,705

This disturbance revived the subject of establishing a Clearing-house which would dispense with the drawing of so many checks. Pending its discussion, the banks sought to avoid a violation of the law by adopting other forms of lending their credit. One was by "accepting" the checks, instead of certifying. Another was to "discount" a promissory note of the broker in the morning and place it to his credit. If the note was paid before three o'clock, no interest or discount was charged. The latter involved too much labor and business inconvenience, and the former was promptly decided by the Government authorities to be a mere evasion and subject to the same penalties as certifying. At this time Mr. Osterberg's method came up again for consideration, and again a number of the wealthy firms of the Exchange promoted its introduction. The Exchange itself took no part in the movement. A stock company was formed as an independent organization under the name of the New York Stock Clearing-house Association, with a capital of \$200,000, ten per cent. paid up. Of this sum, it was stated, \$10,000 was to be paid Mr. Osterberg for his copyright at the start, and \$40,000 additional to be afterwards paid him out of the profits of the enterprise. There was not enough of this stock to supply the

demand, and the shares commanded a premium before the clearing went into operation. Some delay occurred in the preparation of the details and acquisition of members, so that the Clearing-house did not open for business until about the first of August, 1883. Its rooms were over the Bank of the State of New York, at William Street and Exchange Place, with Mr. Osterberg, Manager, under direction of Mr. R. L. Edwards, President of the Bank of the State of New York. In spite of the pressure for relief from the over-certification business, after nine months of canvassing among the eleven hundred members, only eighty-five had signed their names to the roll of membership at the time of its opening. It began by clearing four stocks. There was to be no charge for clearing for the first month; after that ten cents per hundred shares cleared. The first day 6,000 shares were cleared. A week later eight more stocks were placed on the list, and the following Monday, sixteenth of August, twelve more, making twenty-four in all. Twenty-two new members had signed the roll, making a hundred and seven in all. The sales on the Exchange on the Saturday preceding was 107,000 shares. Of these, 10,200 (20,400 total clearings) were cleared on Monday, with balances of 6,400. On the same day, Monday, there was an excitement in the stock market, and the sales jumped to 547,000 shares. Of these only 2,200 were cleared the next day. This was a virtual abandonment of the system, for the second time, by its own promoters and stockholders. Its occupation was gone.

To-day the Stock Exchange is going on in its old way, though the necessity for some increased facilities for transacting its business is becoming more apparent day by day.

The total sales for the last five years were:

1879.....	.....shares,	74,166,652.	
1880.....	"	97,200,040.	
1881.....	"	113,392,685.	market value, \$ 8,946,682,847.00
1882.....	"	113,720,665.	
1883.....	"	96,500,000.	

We have no record of the total amount of money represented in these transactions, except for the year 1881. The shares sold in that year realized \$ 8,946,682,847.00. The usefulness of a method which will satisfactorily effect a clearing of such a volume of business can be approximately estimated. In the bank Clearing-house the ratio of balances to total clearings is about five per cent. Allowing twenty-five per cent. in this business as an average, there would be an annual saving of capital, cash and bank credits, taking an average of the five years' business at \$ 6,000 millions, of \$ 4,500 millions.

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this business as an average, there would be a saving of capital, cash and bank credits. This amount employed in some productive capacity at six per cent. per annum, the customary rate charged their clients by brokers, would yield \$750,000 per annum. The cash value of the saving in the handling of valuable securities, in labor, risk and business inconvenience, cannot be estimated. It is probable that, at most, fifty per cent. of the securities now transferred from hand to hand would be sufficient to settle the business.

J. C. UHLER.

[ TO BE CONTINUED.

### LAND COMMISSIONER'S REPORT.

The commissioner of the general land office has submitted a report of the operations of his office for the fiscal year ended June 30, 1884. The sales, entries, and selections of public lands, embraced 26,834,041 acres; Indian lands, 697,129 acres; total, 27,531,170 acres. An increase over the year of 1883 of 8,101,137 acres, and over 1882 of 13,222,003 acres. Receipts from disposals of public lands, \$11,840,993; from Indian lands, \$938,137; total, \$12,779,130, an increase over 1883 of \$1,073,364; increase over 1882 of \$4,392,750; to which is to be added \$10,275 received for certified copies of records, making the total receipts of the year \$12,789,405. Total number of entries and filings 286,812, aggregating 40,625,000 acres, an increase over the preceding year of 60,724. Number of entries approved for patenting under pre-emption and other laws 60,276; increase over previous years, 6,429. The agricultural patents numbered 51,337, an increase of 855 over the preceding year. Number of private cash entries, 9,894, and 3,206,095 acres were sold under the pre-emption law, an increase of 920,385 acres over the preceding year. Receipts from cash sales amounted to \$10,302,582, an average of a fraction over \$1.32 per acre. Three thousand one hundred and eighteen tracts of land, embracing 200,002 acres, were sold at public sale, average \$2.94 per acre. The commissioner renews his recommendation that the pre-emption law be repealed, and deemed it important that the homestead law be amended so as to require proof of actual residence and improvement for nine years before the homestead entry may be commuted to cash payment. He recommends the repeal of the timber-culture act, the act providing that lands covered by relinquishments shall be subject to entry immediately upon cancellation at the local office.

There was 1,076 miles of railroad constructed during the year under the various grants. The commissioner suggests that a commission be appointed to examine and decide upon the unsettled private land claims in New Mexico, Colorado, and Arizona, and recommends the re-establishment of the boundary line between Colorado and Utah, and a survey of the boundary line between Dakota and Montana and the Yellowstone park. Thirty-two cases of illegal fencing of public lands have been reported, the area inclosed aggregating 4,431,980 acres. Twelve cases have been acted upon and suits recommended to compel the removal of the fences. A very large number of complaints remain uninvestigated for want of facilities. The commissioner says that that portion of the public

lands still remaining should be economized for the use of actual settlers only. An act reserving public lands, except mineral and timber reserves, for entry under the homestead law, with amendments to prevent the evasion of its wise restrictions, would be the measure meeting this end.

In conclusion, the commissioner points out the necessity for the immediate adoption of some means by which the national forests may be preserved at the headwaters of important rivers and their tributaries, and in such other situations where their preservation is expedient for the climatic effect and other reasons of utility. He says there is no good reason why lands worth from \$25 to \$100 per acre for timber should be sold for \$1.25 and \$2.50 per acre as at present, and he favors the withdrawal from sale or entry under existing laws all distinctively timber lands of the United States until examination and appraisement can be made. After the examination permanent timber reserves should be established where deemed desirable and provision made for sale at not less than the appraised value of the remainder.

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## THE POST OFFICE SAVINGS BANK SYSTEM OF CANADA.\*

[CONCLUDED FROM THE NOVEMBER NUMBER.]

Attention cannot fail to be attracted to the magnitude of the average deposit in the Canadian Post Office Savings Banks, being no less, in round figures, than \$60 (say £12 sterling); the average deposit in the United Kingdom being £2. In Canada the deposits average 1.66 in the year by each depositor. In the United Kingdom the average is 2.15. In the year 1881 three branch Savings-bank offices were opened in the suburbs of the city of Toronto, and it was hoped that the result of bringing Savings bank facilities nearer to the homes of the industrial classes in a large city would appear in a numerical increase in the small deposits. The average deposit at the three suburban offices is \$28 (say £5 15s.), half the usual average, and the frequency of deposits is 2.75 per annum for each open account. After three years' trial, the number of depositors is, however, only 615. The transactions at the two suburban offices in the city of Montreal present results nearly identical. The attempt to bring the advantages of the Post Office Savings Banks within the reach of the classes on 'daily or weekly wages has so far, therefore, been only partially successful. It is necessary to state, however, that such attempt has been confined to the simple opening of the branch offices. The Canadian Department has not sought to attract depositors by means of pamphlets, nor otherwise attempted a paternal treatment of the people, which would hardly find favor in this country.

The writer's observation justifies the general deduction, which, had it nothing but statistics as a basis, might be delusive, that the people of the Province of Ontario may properly be described as thriving, rather than thrifty. Whether the monetary unit of trade and the value of wages, \$1.00, four times the English shilling and German mark, and five times the franc, has anything

\* A paper read before the British Association, Economic Section, at its meeting in Montreal, August, 1884, by J. Cunningham Stewart, Superintendent Money Order and Savings Bank Branches, Post Office Department, Ottawa.

to do with begetting a contempt for the fragments, the cents, is a question beyond the scope of this paper.

Wages are not earned without fair equivalent in labor, so that it cannot be said that men do not value what costs them little effort. The necessities of life are cheap, and it cannot be charged that the coarse enjoyment of the present absorbs the surplus earnings of the working classes. The deposits now accumulated in the Post Office Savings Banks may be said to be in, although hardly saved by means of, those institutions—the virtue of habitual saving being one yet to be acquired.

The people of the sister Province of Quebec—that is, those of French-Canadian nationality, who represent five-sixths of the population of that Province—are eminently frugal and simple in their manner of living and expenditure. While neither the same gross nor a like average amount of deposits could be looked for as in the richer Province of Ontario, it might be expected that the French-Canadian rural population would, nevertheless, use the Post Office Savings Banks to a larger extent than the official records show to be the case. The old-established Savings banks in the cities of Montreal and Quebec have already been mentioned as having deposits amounting to \$9,250,000. The depositors in the former number (according to returns published on 31st December, 1883), 29,756, of whom 18,357 are of French-Canadian nationality, a large percentage being from the country districts round Montreal. Of the 12,541 depositors in the Quebec Savings Bank, it may be believed that those of French-Canadian nationality are a large majority.

It is possible that the French-Canadian rural population, accustomed for generations to the institutions and simple customs inherited from their parent country, France, and to the system which makes the village notary to them the visible and personal medium through whom are executed on the spot all legal forms, do not grasp the abstract idea of a Savings bank at the seat of Government, perhaps many hundred miles distant, which guarantees perfect security to their deposits from the moment when handed to the village postmaster. Having little contact with immigrants from the British Isles, the rural population of the Province of Quebec have not, moreover, the opportunities of becoming familiar with the working of Post Office Savings Banks, which association with persons themselves depositors would afford.

The plan of collecting the minimum deposit (one dollar) by means of postage stamps affixed to a form provided by the department for the purpose, has not commended itself to the Canadian authorities. It is believed that in this country better results may be achieved by the unselfish efforts of philanthropic persons in connection with "Penny Banks." Three of these institutions in the city of Toronto may be mentioned as having attained a success, which is entirely due to that kindly influence on the part of their promoters which is essential in any effort to reach the humbler classes, and which the machinery of the Post Office could not supply.

The Post Office Savings Banks in Canada are maintained at a cost to the Government of about four and one-tenth per cent. on the balance due to depositors. Of this charge the interest allowed to depositors represents about 3.85 per cent., and the expenses of management are 0.25 per cent. The difference between four per cent., the declared rate of interest, and the distributed rate suffices

to pay about one-half the expenses of management. The cost per transaction is  $20\frac{1}{2}$  cents, somewhat more than it would be did the requirements of the country not compel the printing of pass books and all official forms in the French as well as the English language. One of the most satisfactory points to be noted is the almost entire absence of loss arising from any cause. Fourteen of the sixteen years of the Savings Bank's history have been absolutely free from casualty. The loss on a business represented by 1,262,402 transactions and \$83,000,000 has been only \$6,517, say three-quarters of a cent for each \$100. The entire loss, except the small sum of \$390 lost through the successful personation of a depositor, occurred through frauds by a single officer in the year 1878. Although the depositors who were the victims of these frauds had, in most instances, owing to their lamentable neglect of the regulations made for their safety, no legal claim against the department, the losses were made good in view of the extreme hardship of the cases.

The history of the Canadian Post Office Savings Bank would not be complete without a reference to two features formerly, but no longer, engrafted on the system. The first was a plan by which depositors could transfer their ordinary deposits, in sums of \$100, to a special five-per-cent. account—such five-per-cent. moneys being repayable only on three months' previous notice. This system was remarkably smooth in its operation. It was intelligible to depositors, and, in the ledgers of the department, the interest on the balances at five per cent. was computed with ease.

It being thought that these special deposits—being really investments of a more or less permanent character—should be under the direct management of the Finance Department, the system just described was discontinued in 1872, and a special issue of five-per-cent. Government stock was substituted. Under the latter arrangement the Post Office Savings Bank ceased to have any knowledge of, or responsibility for, amounts transferred for inscription in stock in the Finance Department, the latter undertaking the payment of half-yearly dividends and subsequent redemption.

The second system was discontinued in 1880, with the general fall in the value of money. It was not satisfactory in its operation. Depositors, whose money had been transferred to Dominion stock, could not understand how, by a simple book entry at Ottawa, they had ceased to be depositors in the Post Office Savings Bank. The Finance Department, in transmitting half-yearly dividends, was unable to follow depositors' changes of residence, and generally it may be said that, owing to its apparent complexity, the system did not tend to popularize the Post Office Savings Banks.

To those familiar with the inner working of Post Office Savings Banks, a branch of the subject which furnishes a literature of its own, a brief description of the mode of keeping depositors' accounts in the Canadian Post Office Savings Banks may be interesting. The rate of interest fixed by statute—\$4 per annum for each \$100, being \$12 for each \$300—is, it will be seen, exactly *one cent a month* for each even sum of \$3, just as (at two and a-half per cent.) one halfpenny per month is allowed in the British Post Office Savings Bank for each complete pound. The latter is, in fact, the key to the computation of interest in depositors' accounts in the British system. So convenient did this analogy appear that the Canadian Post Office Act of 1867 expressly confined the calculation of interest to sums of \$3 or some multiple thereof. (This was

altered at the first opportunity, viz., in 1875, \$1.00 being then made the factor for purposes of calculation.)

It became evident to the officers entrusted with the organization of the Canadian system that the British plan of calculating interest would be entirely inapplicable, for, whereas in one system the unit for calculation of interest (the pound) stands prominent in a column of its own, the Canadian unit, \$3, would not appear as a visible basis on which to compute, but would itself form matter for calculation, month by month, in each account. It was then, after much thought and careful experiment, decided to adopt the plan not altogether new, but new in Canada, of calculating the interest in advance; a decimal currency in connection with a four-per-cent. rate of interest, making the table for the purpose remarkably simple. Indeed, for four months of the twelve, *i. e.*, the first month in each quarter, the table may be dispensed with altogether, the operation being to multiply the dollars of the deposit by four, three, two, or one, according to the period of the year as it advances, and treat the result as cents.

To illustrate the method: A deposit of \$60 in September, multiplied by three, would be credited with \$1.80 interest up to the end of the Savings bank year, 30th June. The interest credited for the same amount, if deposited in December, would be \$1.20. In case of withdrawals, depositors' accounts are in like manner charged with prospective interest up to the end of the current year. This was the method of computing interest adopted, and it has been in successfully operation ever since.

In other respects it was the aim of the officers of the Canadian Department to model the practice, as closely as circumstances would permit, upon the parent institution, and the opportunity may be taken of placing upon record here the cheerfulness with which assistance and advice were rendered by the officers of the British Department to the Canadian Savings Bank in the latter's youth. There is still between the two departments a free and cordial interchange of ideas, as experience suggests changes in the practice of either.

There was much expenditure of effort during the first two years in the endeavor to conform rigidly to British precedent. Abstracts of the transactions were taken from the ledgers quarterly, and the depositor's ledger accounts were balanced and ruled off at the end of each year at the cost of much time and labor. It was soon apparent that the quarterly summaries failed to give the proof which was their sole object, and that, even if satisfactory in that respect, the interval between the making of the entries and the discovery of error was too great. It was remarked that the average number of transactions in each account did not exceed two a year, and this suggested the abandonment of all summaries from the ledgers, except the annual one, and the substitution (if such could be devised) of such daily verification of the deposit and withdrawal entries in the ledgers as would place their accuracy beyond question. In other words, it was believed that the time and labor heretofore expended in tracing errors months after their occurrence could be more economically and far more advantageously employed day by day in their prevention. Such a plan was devised, and it has been in successful operation for fourteen years.

The opportunity was taken to simplify the pattern of ledger account, a specimen of that now in use (there being twelve on each page) being introduced here.

## "BROCKVILLE" LEDGER.

[972.]

HENRY BROWN, *Farmer.*

<i>Date.</i>	<i>Withdrawals.</i>	<i>Deposits.</i>	<i>Balances.</i>	<i>Balance of Interest.</i>	<i>Balance Special Account.</i>	<i>References.</i>
1878	\$	\$	\$	\$	Not now in use.	
Dec. 20	....	50.00	50.00	1.00 06		67
Dec. 29	....	3.00	53.00	1.06 07		70
March 11	....	7.00	60.00	1.13 12		103
April 9	12.00	....	48.00	1.01		51
1879	....	1.01	49.01	1.96 90		20-12-79
Sept. 14	....	30.00	79.01	2 86 93		170
Oct. 21	31.00	....	48.01	1.93		51
1880	....	1.93	49.94	1.96 1.24		23-12-80
Dec. 9	....	62.00	111.94	3.20		320
1881	....	3.20	115.14	4.60		19-12-81
1882	....	4.60	119.74	4.76 3.99		
Sept. 2	119.74	....	0.00	77		51
	162.74	162.74				

In the above account, the process followed on the 30th June in each year is illustrated by the figures in italics. In the original ledgers these entries are made in red ink. The figures in the right hand column refer to the record where will be found the particulars of each transaction as extracted from the ledgers on the date of entry. The dates in the same column indicate the day on which the pass book was received for annual verification.

It will be observed that the process of ruling off and balancing the account at the end of each year is entirely dispensed with. The accuracy of the deposits and withdrawals having already been established, all that it is necessary to do is to insert in the "deposit" column the interest, already computed in advance, add it to the balance of principal, and compute the interest for the following year. The three columns, deposits, balance and interest, are conveniently grouped together. An abstract is then made, which not only gives the total of the year's interest, but furnishes a final and conclusive proof of the ledger entries.

So rapidly can accounts in this form be treated at the close of



the year that, in respect to the fiscal year just closed, 30th June, 1884, it may be said that the labor of balancing all the ledger accounts, 66,862 in number, was completed on the third day after—that is, on the 3d July—necessarily during extra hours, but without interruption to the daily work. On the 18th July, the labor of extracting from the ledgers the year's balances and transactions in 87,621 accounts, of adding them, and of bringing the year's operations to a final proof was concluded. It will be apparent with what ease a depositor's account can be closed and interest paid him under the above system, and what smoothness this fact imparts to the daily work—little more labor being involved in making an entry of this kind than in entering an ordinary withdrawal. The great object is also attained—the advantage of which will be understood by all persons having had practical experience of the management of large numbers of accounts, involving numerous transactions—of conducting the business of the department on a strictly daily basis. There is no link in the work of a weekly, monthly, or quarterly character requiring constant supervision lest it be neglected. There are neither arrears, nor the possibility of any. It is believed that the system of computing interest prospectively, now followed in the Savings bank departments of the Canadian banks generally, was first introduced in Canada by the Post Office Savings Bank.

It is right to say that the officers of the Canadian department, when making what seemed a bold departure from the conventional form of keeping and balancing deposit accounts, took no little courage from an examination of the evidence given before the Select Committee appointed by the British House of Commons in 1858 to enquire into the operations of Savings banks; particularly that of Mr. Craig, agent in Cork of the Bank of Ireland, and Treasurer of the Cork Savings Bank, and of Mr. Maitland, Treasurer of the Edinburgh Savings Bank. Those who take an interest in such enquiries will be rewarded by a perusal of these gentlemen's testimony and views.

The staff of the central or head office of the Canadian Post Office Savings Bank numbers twenty-one. These are not all employed in the ordinary routine of treating deposits and withdrawals, there being a constantly growing class of work in connection with claims to the moneys of deceased depositors, and other matters arising out of the regular duties. Then there are the postmasters' daily returns to be checked, and acknowledgments of deposits to be written, and the cross transactions (already described as one in eleven) adjusted, so as to bring the ledgers into agreement with the postmasters' returns, an agreement which cross-entries disturb. To these must be added many other minor duties. The clerical force of the Canadian Department is in the proportion of one to each 3,200 depositors' accounts, or one to each 7,900 transactions in the year. It is believed (although the figures given are subject to correction) that in the British Savings Bank Department the force is in the proportion of one to each 3,100 accounts, or one to each 8,770 transactions. If the analogy in the relations between labor and achievements be as close as these figures indicate, the Canadian Department may feel encouraged, the British Post Office Savings Bank being deservedly and universally looked upon as a model of organization and successful administration.

STATEMENT OF THE BUSINESS OF THE POST OFFICE SAVINGS BANK, CANADA, YEAR BY YEAR, FROM 1ST APRIL, 1868, TO 30TH JUNE, 1884.

Period.	No. of Deposits received during period.	Total Amount of deposits received during period.	No. of Withdrawals during period.	Total Amount withdrawn during period.	No. of Accounts opened during period.	No. of Accounts closed during period.	No. of Accounts remaining open at close of period.	Interest allowed to Depositors.	Total Amount standing to the credit of all Open Accounts, inclusive of Interest allowed, at close of period.
Three months ended 30th June, 1868.	3,247	\$ 212,507	166	\$ 8,857 48	2,146	44	2,102	\$ 939 37	\$ 204,588 89
Year ended 30th June, 1869.	16,653	927,885	4,787	266,754 35	6,429	1,319	7,212	21,004 72	856,814 26
Year ended 30th June, 1870.	24,994	1,347,991	9,478	664,553 51	7,823	2,857	12,178	48,689 08	1,588,848 83
Year ended 30th June, 1871.	33,246	1,917,576	15,148	1,093,438 86	9,424	4,449	17,153	84,273 68	2,497,259 65
Year ended 30th June, 1872.	39,489	2,261,631	19,325	1,571,605 19	10,846	6,540	21,059	116,174 55	3,066,900 01
Year ended 30th June, 1873.	44,413	2,366,918	22,159	1,925,999 32	11,995	9,528	23,526	126,932 88	3,207,051 57
Year ended 30th June, 1874.	45,329	2,340,284	24,248	2,086,243 42	12,048	10,606	24,968	126,273 31	3,204,955 46
Year ended 30th June, 1875.	42,508	1,942,346	24,637	2,041,879 04	10,516	11,190	24,204	120,758 06	2,926,090 48
Year ended 30th June, 1876.	38,647	1,726,204	23,127	1,783,257 97	10,218	10,097	24,415	110,116 08	2,740,952 59
Year ended 30th June, 1877.	36,126	1,521,000	21,643	1,525,682 98	8,971	9,312	24,074	104,067 86	2,639,937 47
Year ended 30th June, 1878.	40,097	1,724,371	21,065	1,486,158 73	10,058	8,597	25,535	103,834 29	2,754,484 03
Year ended 30th June, 1879.	43,349	1,973,243	22,360	1,475,048 79	10,755	8,845	27,445	110,912 56	3,105,190 80
Year ended 30th June, 1880.	56,031	2,720,216	26,043	1,820,213 16	14,407	10,487	31,365	136,075 47	3,945,669 11
Year ended 30th June, 1881.	71,747	4,175,042	28,368	2,072,289 15	18,731	10,491	39,605	184,904 81	6,208,226 77
Year ended 30th June, 1882.	97,380	6,435,980	35,859	3,461,619 31	23,778	13,920	51,463	291,065 07	9,473,661 53
Year ended 30th June, 1883.	109,489	6,826,266	45,253	4,736,995 39	27,127	17,531	61,059	407,365 17	11,976,237 31
Year ended 30th June, 1884.	109,388	6,441,439	50,026	5,049,611 13	26,562	20,939	66,682	477,487 46	13,245,552 64

\* The figures in italics in these two columns exhibit further withdrawals not paid to depositors in cash, but at their request paid over to the Finance Department to be inscribed in their names in Dominion Stock.

## SUGGESTIONS TO YOUNG CASHIERS ON THE DUTIES OF THEIR PROFESSION.\*

The BANKER'S MAGAZINE is an instrument of good. The observation of every-day life clearly shows that, in consequence of disastrous losses by bank failures, of sorrow and ruin to friends by the misconduct of bank officers, and of wounded feelings by reason of morose and irritable cashiers, many persons entertain strong dislike to banks, and to those who are connected with them. Such persons, forgetting that incapable, unfaithful, and disagreeable agents have been found in *all* corporations, and that bankruptcies and defalcations have occurred in every walk and pursuit, affect the sentiment of a celebrated English essayist, and say, that "nothing truly good can be expected from men who are ever poring over cash books and balancing accounts;" while others, relying upon the strange remark of our own great moralist and philosopher, Franklin, aver that the wealth acquired by commerce is "generally" acquired by "cheating," and that "agriculture" is the "only honest" employment.†

The Magazine, then, by imparting correct information relative to the management of moneyed institutions, and by teaching bank officers that prudence, skill, and method are as essential to success as integrity, is performing a most valuable service to bankers, and to the whole community. It deserves, and should receive, the pecuniary support of every bank in the United States. So, too, I venture to say, that not only executive officers, but presidents and directors, are bound to increase its usefulness by contributing to its pages the results of their experience.

Banking has become a part of the very framework of our system of business. Even Mr. Calhoun said, as long ago as 1816, when the whole banking capital in the United States was only eighty millions of dollars, that "the question whether banks are favorable to public liberty and prosperity was one purely speculative. The fact of the existence of banks, and their incorporation with the commercial concerns and industry of the nation, prove that inquiry to come too late. The only question was, on this hand, under what modifications were banks most useful," etc. Banks now exist, in some form or other, everywhere, and will continue, probably, as long as property shall be bought and sold on credit. In all coming time, therefore, we are to have a class of men to deal in money, in promissory notes, and foreign and domestic exchange. The avocation has ever been honorable, to the last degree responsible, and exposed to many and to peculiar temptations.

\* This essay appeared in the BANKER'S MAGAZINE more than thirty years ago. It was written by Lorenzo Sabine, of Framingham, Mass., especially for this work. We now repeat it, confident that it will be welcomed by our readers. A few changes have been made to adapt it to the present occasion.—ED. B. M.

† It must be admitted that defalcations sometimes occur of a nature to warrant almost universal distrust. In 1803 the Bank of England lost, by the frauds of Astlett, one of its clerks, and a nephew of the cashier, the enormous sum of one and a-half million of dollars; the frauds and forgeries of the banker, Fauntleroy, in 1824, amounted to over a quarter of a million more; and the defalcation of the banker Stephenson, in 1828, was upward of a million and a-quarter. These are the memorable delinquents in the history of English banking. The first suffered imprisonment in Newgate many years, the second was executed, the last fled to the United States. The largest individual defaulters on this side of the Atlantic, as the facts now stand, have been among the officers of railroads.

The world, seemingly more inexorable with our profession than with others, deals out its direct maledictions upon those of us who err, and will hardly forgive the managers of a broken bank, or the officer whose "cash is short," even when there is no other guilt than credulity, too easy good nature, or incapacity. To stand upon our defence against *unjust* accusations, and to do what we can to diminish the causes of corporate and of individual delinquency, are duties which we owe to ourselves and to those who are to succeed us. Dispersed, as we are, over a vast extent of country, we can best correct public sentiment, and afford counsel and admonition to one another, as well as render our knowledge of banking available as common stock, by means of the work established for, and devoted to, our benefit.

Banks, with us, both public and private, differ—as none need to be told—in many things from those of England and of Continental Europe. It is known, also, that our system is not perfect, and that essential improvements can be made in it. Hence, whatever the value of essays upon foreign banking, papers devoted to our own are far more useful to us, regarded as a class; and hence, too, the necessity for a free interchange of thought by bankers in different parts of the Union.

I pass now to topics immediately connected with the duties of a Cashier. The limits of this essay do not admit of elaborate reasoning, but demand, indeed, that mere suggestions shall be made with the brevity of proverbs. I may be permitted, then, to address myself to the young officer, directly, and, as it were, personally.

You are to lead a life so confined, sedentary, and, in some respects, so mechanical, that, unless you observe great care, you will become, in the lapse of years, a sort of machine for computing discounts, counting money, writing letters, and keeping books.\* You are to transact business, and to have a constant intercourse, with men of every shade of character, of every variety of disposition, and of every degree of intelligence. Your temper is to be tried by interruptions at the most unseasonable moments, to attend to the calls of the impatient, or to answer the inquiries of the ignorant or inquisitive. You are to be tempted to embark in speculations in stocks; to be solicited to allow overdrawings and other irregularities by the companions of your social hours, and it may be, by one or more of your own directors; and you are to have the same domestic cares and afflictions, the same personal aches and pains as other men; and yet you are expected to be ever at your post, to be ever courteous, to stand fast in your integrity, and to seem cheerful, and even happy. In a word, and as Girard said, at the decease of his old and faithful cashier, "*the bank must go on,*" whatever your private griefs or individual disabilities. Your position is thus one of much difficulty, responsibility and peril; and you need a knowledge of the laws of your physical being, the counsel of wise friends, strict and daily self-examination, and deep religious principle, to enable you to sustain it in health and honor. But be

\* Every person of observation will attest to the need of the caution in the text. Long and close application to one branch of business, and the habit of being at one place for a course of years, produce wonderful transformations in the character. The case of Mr. Rippon, the late chief Cashier of the Bank of England, furnishes an illustration well worth citing. He was connected with that institution for more than half a century, and asked but for a single leave of absence from his post during the entire period, and in this instance, even, he applied at the suggestion of his physician, on the ground of ill health. Permission was granted, and our bank officer departed from London to be absent two weeks. But the country was without charms; idleness preyed upon his spirits, and the habit of years was so strong that, at the end of three days, he returned to the bank, solely to become happy again.

of good cheer; be a true man, and you will overcome every obstacle in the way of a long and of a useful life.

Your bank has secrets; and, that they be kept inviolable, adopt a rule to speak of its affairs only to persons connected with you in its management.

You should embrace every opportunity to acquire information as to the standing of your customers; and whatever is imparted to you on the subject, whether in confidence, or otherwise, should be communicated to your directors, and to them alone.

You should become acquainted with the laws relative to banking, and especially with those of your own State; and should be familiar with some work which treats of notes and bills, of the liabilities of sureties, drawers and indorsers. I recommend, as the easiest way to obtain, and to retain, knowledge in these particulars, that you make a manual, or brief digest, with marginal references to the authorities which you consult. The best books are *Daniel on Negotiable Instruments*, and *Morse on the Law of Banks and Banking*. To master these works, or even to obtain common knowledge of the immense learning which they contain, will require time—much time. But the leading principles applicable to promisors and other parties to commercial paper, are easily fixed in the memory, and no time should be lost in consulting the latter treatise, at least. I recommend to the young cashier to devote a part of his leisure to professional reading of a more general nature. The history of the system of credit is not only curious, but interesting and instructive. Strangely enough, as he will find, banking owes its origin to the Crusades, for the earliest institutions of which there is any account was a mere bank of *deposit*, established at Venice, late in the twelfth century, for the purpose of aiding those who fought to win the Holy Land from its unholy possessors. Such was the first element, and the degree of security and facility of commercial transactions of the period may be seen in the fact that, in England, contracts between individuals were discharged by payments in cattle, horses, dogs, and even hawks; and that rents, fines, and taxes due the crown were paid in the same kinds of property, in products of the soil, and in merchandise generally. In a word, the idea of paper money based on the precious metals, or on personal estate and credit, or on lands, had not been conceived, we may fairly conclude, anywhere. Next, if the notes of my own reading be accurate, and equally strange, we hear of some sort of *paper credit*, early in the thirteenth century, not in any trading country of Europe, but in far-off, and, as we commonly say, in barbarous China. So, again, toward the close of the last-mentioned century, we are told that the hated and hunted Jews and Lombards invented the *bill of exchange*, which afforded means for the silent and secret transfer of funds from country to country, to the infinite discomfiture of robber kings and of robber outlaws. Next, probably, in chronological order, was the *promissory notes*, which strange device, grave and learned judges, in solemn wig and ermine, dared at length to pronounce to worn and weary litigants, might, if traffickers so willed, pass current from one person to another, and be lawfully collected by the final owner.\* Still, again, about the middle of the fourteenth century, we meet with the origin of *public scrip* in the governmental certificates of Florence,

\* As late down as the reign of William and Mary, the courts of England refused to consider an inland bill of exchange a legal instrument: nor was it until the time of Anne, that a promissory note, in the hands of an indorsee, could be collected by law, of the maker.

which, I suppose, were the first ever issued in Europe. Thus, we have five elements in modern banking. Two others, namely, those of *discount* and *circulation*, were yet wanting. Neither power was conferred upon the Bank of Amsterdam, which, founded near the opening of the seventeenth century, was designed merely, as it would seem, to check the evils of a clipped and worn metallic currency. Nor was the Bank of Hamburg, which was established immediately after, hardly more than an institution for deposit and transfer. In the progress, however, of civilization, or commercial dealing and necessity, we come at last, and toward the close of the seventeenth century, to the Bank of England, which was invested with authority to receive deposits, to buy and sell exchange, to aid in the management of public securities, to discount promissory notes, and to issue a paper currency. And so it appears from this rapid view, that more than five hundred years elapsed before *all* the elements of modern banking are combined, arranged, and reduced to a system in which statesmen and merchants reposed confidence.

The young cashier having, by his researches, convicted me of inaccuracy, or having established the truth of the foregoing outlines of bank history, may, as opportunity occurs, pursue the subject still further. The first charter of the Bank of England is accessible, and he may study it with profit, and to ascertain the immense progress which has been made in the principles of banking, whether as relates to rights of stockholders or to public convenience and safety. He will find valuable lessons in the legislation of his own country; in the issue of paper money prior to the revolution, which at times flooded the colonies, and which in spite of the clamors of our fathers, was suppressed by Parliament; the marvellous tales and traditions which have come down to us of the never-to-be-forgotten "continental money," without which the bonds of colonial vassalage would not have been broken when and as they were; in the earlier charters of the different State Governments, and in the two charters of Congress of the great National institution which has now ceased to exist.

This general inquiry concluded, he will have improved his own mind, and be ready to meet and to reason with those who, because the system has not been perfected in a century and a-half (dating from the establishment of the Bank of England), demand its entire abolition, or at least such changes as would render it powerless for good, alike to individuals and to communities. He can say and prove that CREDIT, wide, liberal, beneficent credit, belongs to the era of liberty, and that it was unknown even in free England until after the expulsion of the Stuarts, and until the revolution there had secured personal freedom. He may stand upon the emphatic declaration of a great statesman,\* that the system of credit, as it now prevails, is the vital air of commerce, and that "it has done more, a thousand times, to enrich nations than all the mines in all the world." He should, indeed, admit that its fluctuations, its ebbs and flows, sometimes cause desolation and ruin; yet he should not fail to insist that good and wise men steadily strive to improve it—that, as sweeping conflagrations allow of the straightening and widening of streets, and as disasters in traveling by steam suggest more careful management and better machinery, so do bank failures and the delinquencies of bank officers, however appalling the circumstances at the moment, serve to discover and to apply new checks and new remedies.

\* Mr. Webster.

If your bank is old enough to have been through "a crisis," and if you have not served in it as an inferior officer, you have much to learn of its past business. Such an institution, for example, has a "suspended debt" account, or at best overdue paper secured by mortgage or other collateral; and assets of this description *always have a history*, and sometimes a very intricate, a very perplexing one. But you must become master of that history. Directors change every year; and in a little time, all who were at the "Board" when this class of paper was taken will have vacated their seats; while, then, some are still in the direction, make written memoranda of the principal facts.

Let it be manifest to your associates and stockholders, that you feel an interest in everything which relates to their welfare. To work the whole of your capital and of your deposits, to keep both actively employed at all times, and yet to be always able to meet the demands on you, require great wisdom; and the most skillful and experienced financiers sometimes find themselves at fault for the moment. Your duty requires continual experiments to effect this great object.

Need I suggest the benefits of a fixed system, and of method, even in matters seemingly of little consequence? Everybody finds—as seamen have it—that "a stern chase is a long chase." The business of to-day should never be deferred till to-morrow. Answer letters, and file papers, at the instant. Remember everything, if possible; but trusting to memory in nothing: let your books contain a record of all transactions. Allow no outstanding bills against the bank; and have a voucher for the smallest item charged to "Expense Account."

You can be, and you ought to be, ready for an "examination" by the "Commissioners," or other functionaries of the Government, and of your own "Board," without previous notice, and without the slightest special preparation. In fine, close your vault daily with the reflection that no act has been neglected, and that, if sickness or death should occur "the bank can go on" with no loss to your family, sureties, or stockholders. Do not smile, if I add, that your banking-rooms should be swept, and your desks and counters be dusted daily; that *one* "slut-hole" is ample for all the twine and waste-paper; and that the accumulation of official papers and memorandums in your *private* drawer will cause both you and your associates serious delays and much inconvenience.

Panics and pressures are as certain in banking as storms in winter. When either exist, firmness and courage, if not really possessed, must be assumed. You are presumed to know the nature and extent of your resources under *all* circumstances, and at periods of general distrust especially; and if the amount of those *immediately* available are insufficient for every possible call upon you, thus advise your directors without delay.

A knowledge of human character is indispensable. Study it. The "actions, looks, words, and steps" of your customers "form an alphabet:" and your "eyes are spectacles to read others' hearts with." Careful, close, and continued observations will enable you to detect a counterfeit man as readily as you now do a counterfeit bank-note. My own experience is, that those who change countenance, or the weight of the body from one foot to the other, when meeting a full, searching and fixed gaze, are not truthful; that those who ask for additional accommodations, prefacing the request with a story divided into acts like a drama, are already bankrupt; and

that those who petition in whispers, in an unnatural tone of voice, in a cant, or a whine, are hypocrites. Some years hence, I shall be glad to ascertain how nearly *your* experience accords with mine.

You should be courteous and respectful to all. Self-command is a great virtue; indulgence of passion is a great fault. Impertinence and stupid ignorance might sometimes be rebuked, were it not for the danger of contracting a morose and irritable habit of speaking. There is no loss of dignity, or of self-respect, in perfect silence under the greatest provocation, and that, accordingly, is your safest course. The cashier's popularity or unpopularity gives character to a bank. The directors are seldom visible, and sometimes unknown to occasional customers; but their executive officer is an ever-present and a known man, and should bear in mind the Latin proverb, namely, to "be cautious *what* he says, *when*, and to *whom*."\*

Should you acquire a reputation, you may be solicited to change your place; or, becoming discontented, may seek to do so on your own motion. In the former case you are to consider your directors as your friends, and, stating *all* the facts fairly, obtain *their* views before taking a single step to meet the overture made to you. This is an imperative duty; and performing it in honor, and acting under the advice of wise counselors, you can hardly come to a wrong conclusion. I assume here that your bank is sound, and that it is under the direction of competent and safe men. If unfortunately otherwise, if your reputation be at stake, and your directors, or a governing part of them, are ignorant or regardless of the principles of banking, or are "speculators," who seek their own accommodation, you should retire at once. But upon this point I will not dwell, since it is to be hoped that such institutions and such men have nearly passed away.

It is related that the eminence of the five brothers Rothschild, as bankers, is to be attributed in a great measure to their strict observance of their father's dying injunction, to "remain united." Well may it be so. Unanimity in the direction of a bank is always an element of success; and the result of my observation in this regard is, that more losses occur from divisions, than from any other single cause. Accommodation notes, large and standing loans to particular parties, and similar departures from legitimate banking are only to be tolerated in cases which receive the assent of the entire direction. Yet I have known one and all of these departures to be consummated, time and again, by directors who owned the smallest possible amount of stock, in opposition to the remonstrances of older and abler associates who were large stockholders; and years afterward, when legal remedies had been exhausted, and levies and set-offs had failed to restore more than costs of suit, have personally made wearisome journeys and devoted weeks to the service of closing up, as I best could, these unfortunate illustrations of the rule that "a majority should govern" in the directors' room, as in politics. In short, such, in my view, are the evils of the majority principle in this connection, that I would counsel a cashier, whether young or old, to insist upon a reasonable change, and a change refused, to seek an institution more wisely, more safely conducted.

You may be discontented without cause. I remember to have

\* A "bill-broker," says Mr. Windham Beaves, "should avoid babbling, and be prudent in his office, which consists in one sole point, that is, to *hear all and say nothing*."



read a story, in which one of the characters was in possession of everything that heart could ask, but was miserable from this very circumstance, or because he *wanted—a want*. Such persons exist in real life. Be not of that unhappy class. Accommodate yourself to your condition. Do not seek for happiness in change of place, but in change of disposition. "The lazy ox wishes for the trappings of the horse, and the steed sighs for the yoke," is an old saw that has not yet lost its meaning. Nor should the topic be dismissed without recalling the pithy epitaph composed for the hypochondriac, who quacked himself into his grave: "I was *well*; but by endeavoring to be *better*—am here." Let the young cashier heed the moral contained in these several apt sayings, and remember that care and perplexity exist everywhere. To smoothe and fashion the rough stone of life is a religious duty. The change of one's home involves a change of society, of privileges of worship, of schools, of facilities in traveling, of household expenses, of access to books, and various other essentials; and should be carefully considered in every aspect before it is actually undertaken. And I bestow the more attention upon the point, because the propensity to remove from one place to another is so common, and because within the circle of my acquaintance, many have been ruined, and but few have improved their condition or increased their happiness, by seeking a new abode. In middle age, the experiment is doubly hazardous. Take up a full-grown tree, and will it live unless some of the old earth go with it? Sunder the ties of sympathy and affection; exchange old faces and associates for new ones, and what is the condition of a man?

[TO BE CONCLUDED IN OUR NEXT NUMBER.]

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**WRONGFUL ACCEPTANCE.**—A decision was rendered by the United States Supreme Court at Washington, on November 24, in the case of the *Exchange National Bank of Pittsburgh*, plaintiff in error, vs. *The Third National Bank of the City of New York*.—In error to the Circuit Court for the District of New York. The Pittsburgh bank sent to the New York Bank for collection eleven unaccepted drafts, dated at various times through a period of three months, and payable four months after date. They were drawn on Walter M. Conger, Secretary of the Newark Tea-Tray Company, Newark, N. J., and were sent to the New York Bank as drafts on the Tea-Tray Company. The New York Bank sent them for collection to a bank in Newark, and in its letter of transmission recognized them as drafts on the company. The Newark Bank took acceptances from Conger individually on his refusal to accept as Secretary, but no notice of that fact was given to the Pittsburgh Bank until after the first one of the drafts had matured. At that time the drawers and indorser had become insolvent, the drawers having been in good credit when the Pittsburgh Bank discounted the drafts. The court holds that the New York Bank was liable to the Pittsburgh Bank for such damages as it had sustained by the negligence of the Newark Bank. This Circuit Court having, on a trial before it without a jury, made a finding of facts which did not cover the issue as to damages and given a judgment for the defendant; this court, on reversing that judgment, remands the case for a new trial, being unable to render a judgment for the plaintiff for any specific amount of damages. Opinion by Justice Blatchford.

A similar decision was rendered in the case of *The Tradesmen's National Bank of Pittsburgh* vs. *The Third National Bank of New York*, which involved the same question.

## WRONGFUL DISHONOR OF CHECKS.

*Birchall v. Third Nat. Bank.*

COURT OF COMMON PLEAS, PHILADELPHIA, JUNE, 1884.

A bank is liable in temperate damages to a customer for wrongful dishonor of his check without proof of special damages.

The defendant dishonored two of the plaintiff's checks for the aggregate sum of \$318, while he had \$600 in the bank to his credit, and the bank held none of his paper. The defendant gave him a letter to show to the banks which had presented the checks, and those who would have known it, which stated that the error was due to a clerk's miscalculation, and that they regretted the affair, and that the plaintiff's credit had always been high. He nevertheless brought an action for damages.

HARE, P. J., charged the jury as follows :

Inasmuch as the bank has the use of the money it undertakes a duty. When there is evidence that there is enough deposit to meet a check drawn, and such check was not paid on presentation, and no sufficient explanation is given for non-payment, there is sufficient for a jury. The difficulty is not so much whether the bank is liable, but as to the measure of damages. If there were anything to indicate that the conduct of the bank was willful, or that it delayed to make the reparation, such as it could make, there, undoubtedly, another element would arise for the jury to mulct the bank; but there is no such case here, as it shows that there was an innocent mistake from the fault of a clerk, who in adding up the account carelessly omitted a figure, and this result happened. I do not know, therefore, that there is any allegation that there was any gross negligence, and if that be so, the question is what injury has the plaintiff sustained that would justify the jury to set the amount down in figures that he ought to receive to set the matter straight. The mere fact that he was obliged to bring suit, if he ought to obtain any compensation; the mere fact that he was disturbed in his business might be reason to apply to the jury to give him compensation for it, but the serious question is, what is this injury—the real harm he suffered? It has been said that the smaller the check the greater the injury; I confess it does not strike me in that light; it is altogether a question of circumstances.

The jury returned a verdict of \$1,000 for plaintiff, but the court said the motion for a new trial would be overruled if a remitter of \$400 was filed by the plaintiff.

Eugene McQuillin, of St. Louis, has added the following notes to this case which appeared in the *Central Law Journal*.

I. *Foundation of the Right of Action.*—The relation between a bank and a depositor is that of debtor and creditor. The bank is under obligations to pay the money on deposit to the depositor whenever called upon to do so, and it is the right of the depositor to have such payment made. Their rights in this respect are reciprocal. The bank upon receiving the money of its customer assumes a legal responsibility. It undertakes to honor all checks,

drafts and orders of the depositor when in funds to meet them, and which are not subject to any prior lien of the bank. This obligation is incurred by the simple act of receiving the deposits as a consideration for the right to employ the money.

This duty arises from the implied contract between the bank and customer, and necessarily results from the usual course of the banking business.\* And this right of the customer to have his checks honored is so far substantial that if the bank refuses to pay them without a justifying cause, an action for damages will lie.† The sole act of refusal to honor the checks is sufficient to maintain the action. And on this principle an agent who has put to his private account funds of an undisclosed principal, is entitled to recover damages, although the agent has improperly obtained them.‡

II. *Measure of Damages.*—In this kind of cases the difficulty is not so much whether the bank is subject to an action, but as to the measure of damages.‡ The bank by improperly dishonoring the check, has committed a breach of duty, and its liability to an action is undoubted.§

In all cases the depositor may recover nominal damages, whether he alleges and proves special damages or not, and to recover more, it has been held in some of the earlier cases, that he must show that he has suffered a perceptible and measurable loss.¶ The case of a trader seems to be an exception to this principle.\*\* For when it is shown that the plaintiff is a trader, the jury in estimating the damages may take into consideration the natural and necessary

\* *Downes v. Phanix Bank*, 6 Hill 297; *Marzetti v. Williams*, Barn. and Ad. 415; *Watson v. Phanix Bank*, 8 Met (Mass.) 217; Byles on Bills (Sharswood's edition), p. 18 and notes. In *Fogarties v. The State Bank*, 8 American Law Reg. (O. S.) 393, (1860), in referring to the duty of banks, Johnson, J., remarked: "In the best conducted banking institutions the custom is this: When a customer deposits funds, the bank is understood to receive them, with a tacit engagement to pay them out on his order, or check drawn in his own favor, or in favor of third persons with whom he may have dealings. This is understood to be the banker's duty and engagement, incurred by the simple act of receiving the deposits as a consideration for its right to employ the money, and which it is to perform, upon the single condition of being notified of the existence of the check, in such manner as to free it from danger of being liable to pay the same amount twice, that is to say the checks take precedence according to the order of notification.

† *Morse on Banks and Banking*, (2d ed.) 520; *Grant on Bankers and Banking*, 45; *Whitaker v. Bank of England*, 6 Car. and P. 700, (1835); 1 C. M. and R. 744; *Rolin v. Steward*, 14 C. B. 595 (1854); S. C. 23 L. J. (C. P.) 148; 78 E. C. L. R.; *Watts v. Christie*, 11 Beaven, 546, (1349); *Boyd v. Fitt*, 14 Irish Common Law, (N. S.) 43 (1862). In *Birchall v. Third National Bank*, 15 W. N. C. 174, Hare, P. J., in charging the jury observed: "Inasmuch as the bank has the use of the money, it undertakes a duty. When there is evidence that there is enough deposit to meet the check drawn and such check was not paid on presentation, and no sufficient explanation is given for non-payment, there is sufficient for the jury."

‡ *Tassell v. Cooper*, 7 C. B. 509 (1350); S. C. 9 Man., *Granger v. Scott*.

§ *Birchall v. Third National Bank*, 15 Weekly Notes of Cases, 174 (1884).

¶ *Rolin v. Steward*, 14 C. B. 595, (1854) is the leading English case; *Saylor v. Bushong*, 100 Pa. St. (4 Outerbridge) 27 (1882); *National Machine Bank v. Peck*, 127 Mass. 298 (1879). In the last case Gray, C. J., said (p. 300): "So long as the balance of account to the credit of the depositor exceeds the amount of any debt due, and payable by him to the bank, the bank is bound to honor his check, and is liable to an action by him if it does not." See further 1 *Sutherland on Damages*, 120 and 497; 1 *Sedgwick on Damages*, (7th ed.) p. 520 and note (a); Daniel on Negotiable Instruments (3d. ed.) § 1642, p. 656; 2 *Parsons on Notes and Bills*, pp. 63–64 and notes. The bank is merely a debtor to the depositor to the amount deposited. *Foley v. Hill*, 1 Phillips, 399 v. 2 H. L. Cas. 28; *Bank of Republic v. Millard*, 10 Wall. 152; *Carr v. Bk.*, 107 Mass.

45; *Watts v. Christie* 11 Beaven, 546 (1849); *Marzetti v. Williams*, 1 Barn & Ad. 415 (18—) is a leading case.

\*\* *Rolin v. Steward*, 14 C. B. (5 J. Scott) 607; 78 E. C. L. R. In this case Williams, J., said: "I think it cannot be denied that if one who is not a trader, were to bring an action against a bank for dishonoring a check at a time when he had funds of a customer in his hands sufficient to meet it, and special damages were alleged and proved the plaintiff would be entitled to recover substantial damage." See Daniel on Neg. Inst. (3d ed.), § 1642, p. 656; 2 *Parsons on N. & B.* pp. 63, 64, and notes.

consequences which must result to the plaintiff from the defendant's breach of the contract; "just as in the case of an action for slander of a person in the way of his trade, or in the case of an imputation of insolvency on a trader, the action lies without proof of special damage."\*

It can hardly be possible that a customer's check can be improperly dishonored without some slur to his business standing. His credit is impugned. He is held out before the business world as unable to meet his money obligations. It is a serious impeachment of his financial capacity. "The whole commercial community," says Johnson, J., "and every interest dependent upon commerce (and that is every interest in the civilized world) is affected."† Hence, it is the duty of judicial tribunals to hold banks to the exact and unvarying performance of punctuality towards customers.

If the plaintiff can, he may allege and prove special loss, but if he is unable to do so, the jury should be instructed to give such temperate damages as they shall judge to be a reasonable compensation for the injury the plaintiff must have sustained from the dishonor of his check, according to the ordinary course of human events.‡

III. *Elements of Damages—Illustrations.*—In *Rolin v. Steward*, *supra*, the plaintiff's check was refused through a clerical error in balancing the plaintiff's account, the bank supposing the plaintiff did not have sufficient funds on deposit to meet it. The verdict was for £500. Referring to the amount of the verdict, Cresswell, J., remarked: "As to the amount, that is a question which is always extremely difficult for the court to deal with. But inasmuch as we are disposed to think that the jury have under the circumstances awarded the plaintiff a very large sum; the counsel may possibly relieve us from giving any ultimate opinion as to the extent to which the verdict ought to be reduced." The parties then agreed that the verdict should be reduced to £200.

In *Marsetti v. Williams*, *supra*, § plaintiff drew a check on his

\* Per Williams, J., in *Rolin v. Steward*, *supra*.

† "These dealings in bank checks," says Johnson, J., in *Fogarties v. Bank*, 8 Am. Law. Reg. 393 (O. S.) (1860), "stand upon peculiar grounds. The exigencies of trade do not admit of the delays attending the process of acceptance, or arising from the efflux of days of grace. If these drafts are delayed, if the bank, being in funds, be at liberty to refuse payment, the inevitable consequences to the parties disappointed can be none other than such as the want of scrupulous punctuality always inflicts. The drawer's credit suffers; the whole commercial community, and every interest dependent upon commerce (and that is every interest in the civilized world) is affected. These instruments pass daily from hand to hand, and perform good services in exchanges and settlements. The public confidence in them is of a two-fold nature. It is, first, in the drawer. Is he of known character? One who habitually draws only on known resources? It is based, again, upon the certainty of bank usage. It is a fixed rule of trade, that when in possession of a drawer's funds the bank will, on no account, permit itself to withhold payment if properly notified. These two things being fixed in the public mind, universal, undoubting confidence obtains."

‡ *Rolin v. Steward*, 14 C. B. 295 (1854); S. C. 23 L. J. (C. P.) 148; 78 E. C. L. R.; see also Morse on Banks and Banking (2d. ed.) 522 *et seq.*: Grant on Banks and Bankers, p. 45; Byles on Bills, (Sharswoods ed.) p. 18, 2 Parsons on Notes and Bills, pp. 63, 64, and notes. In *Rolin v. Steward*, *supra*, there was no evidence that any special damages had been sustained, but Lord Chief Justice Campbell, in leaving the case to the jury, told them that they ought not to limit their verdict to nominal damage, but should give the plaintiffs such temperate damages as they should judge to be reasonable compensation for the injury they must have sustained from the dishonor of their check.

§ In this case Lord Tenterden, C. J., said: "I cannot forbear to observe, that it is a discredit to a person, and therefore injurious in fact, to have a draft refused payment for so small a sum, for it shows that the banker has very little confidence in the customer. It is an act particularly calculated to be injurious to a person in trade. My judgment in this case, however, proceeds on the ground that the action is founded on a contract between the plaintiff and the bankers, that the latter, whenever they should have money in their hands belonging to the plaintiff, or within a reasonable time after they should have received such

banker, to whom it was presented at a time when he had sufficient funds on deposit to meet it, but the check was dishonored through the negligence of the clerk in failing to enter to the plaintiff's credit in the proper book, a deposit that had been made on the morning that the check was presented. On the following day the check was paid. No special damage was proved, but the jury found a verdict for the plaintiff for nominal damages, which the court sustained.

In *Boyd v. Fitt*,\* the defendant failed to honor a draft of the plaintiff's when in funds, whereby the plaintiff's business in Glasgow was suspended, their business in Dublin much injured, and they lost the agency of an Australian firm. The jury gave damages for the three heads, which finding was sustained, the court holding that the suspension of the Glasgow trade was within both branches of the rule of *Hadley v. Baxendale*,† and that the damages sustained under the other two heads of loss were within the rule of *Rolin v. Steward*,‡ the natural result of the defendant's breach of the contract. "I entirely concur," said the Lord Chief Baron, "in what seems to have been the opinion of Mr. Justice Crompton in *Smeed v. Ford*,§ and of Mr. Baron Wilde in *Gee v. the L & York Railway Co.*,¶ that the rule professed to be laid down in *Hadley v. Baxendale*, is not 'capable of meeting all cases.'"

In *Larios v. Bonany Y Gurety*,‡ the plaintiff recovered in the trial court (1) the expense of protest; (2), loss of some pork which he had been obliged to sell to get money; (3), expense of journeys to place of trial and expense while at the trial; (4), general damages for injury to the personal credit and for other loss. On appeal he was not permitted to recover item 2, because that was too remote, such loss not being a natural consequence of the breach of the contract, nor item 3, for costs are a full indemnity. But he was allowed items 1 and 4.

In *Prehn v. The Royal Bank of Liverpool*\*\* the defendants, bankers in Liverpool, by their letter of credit undertook to accept the drafts of the plaintiff's Alexandria firm, and the plaintiff undertook to put them in funds to do so. Before maturity the defendants gave notice that they would be unable to pay the drafts at maturity; and the customer was put (1) to expense of a commission to another party to take up the bills; (2) the expense of protesting them; and (3) the expense of telegrams. They were entitled to recover all these items. The principle of *Hadley v. Baxendale* was applied in this case.††

In *Riggs v. Lindsay*,‡‡ plaintiff sued the defendant on an implied agreement to accept bills, constituted by the latter having instructed the former to purchase goods on defendant's account and to draw

money, would pay his check; and there having been a breach of such contract, the plaintiff is entitled to recover nominal damages." In the same case, Taunton, J., observed: "The defendants were guilty of a breach of duty, which duty the plaintiffs at the time had a right to have performed. . . . Here, independently of other considerations, the credit of the plaintiff was likely to be injured by the refusal of the defendant to pay the check; and as it was the duty of the defendants to pay the check when it was presented, and that duty was not performed, I think the plaintiff, who had a right to its being performed, is entitled to recover nominal damages."

\* 14 Irish Common Law (N. S.) 43 (1862).

† 9 Exch. 341; 23 L. J. (Ex.) 179.

‡ C. B. 595.

§ Ell. & Ell. 616.

¶ 6 Hurl. & Nor. 221.

\*\* L. R. 5 Privy Council App. 346 (1873).

†† L. R. 5 Ex. 98 (1870).

‡‡ *Supra*.

‡‡ 7 Cranch (U. S. S. C. Rep.) 500 (1813).

upon him for the price. The bills having been dishonored by the defendants were protested and returned to the plaintiff, who took them up and paid the ten per cent. damages which the law (of South Carolina) allowed to holders of bills returned under protest. These damages were allowed plaintiff.

IV. *Defences (a.) Insufficient Amount on Deposit.*—It is a good defence to an action of this kind, of which the bank may avail itself, that it had not sufficient unincumbered funds of the depositor with which to make full payment, so that it could take up and hold the check as a voucher; for the bank is under no obligation to make part payment.\* Of course, if the bank has a prior lien on the drawer's funds it is not held to honor his check. It is only when there is a sufficient amount to the customer's credit, to meet the check, that the bank is liable for non-payment thereof, *i. e.*, when the bank is a debtor to the depositor in that amount.†

(b.) *Bank "Time to Avail Itself of Funds."*—A bank is entitled to a reasonable time in which to ascertain whether the drawer is in funds to meet the check.‡ Hence, in an action against the bank it may be shown that the funds were deposited so immediately before the presentment of the check, that the bank had not a reasonable time in which "to avail itself of the deposit," *i. e.*, to pass the deposit to the credit of the drawer. A reasonable time will be allowed the bank to do this. But no case has yet laid down a rule as to what is such reasonable time. Indeed, that would be almost impossible, as each case must be determined upon its own particular circumstances. This should be governed largely by the volume of the bank's business; and perhaps the amount of business on that particular day, as well as the bank's clerical force, would be elements in determining the reasonableness of time. Of course one day would be sufficient time; so is three hours;§ and two hours¶ has been held to be a reasonable time.

\* *Coats v. Preston*, 105 Ill. 473 (1883); *Morse on Banks & B.* 521; 2 Pars. on N. & B. 78; *In re Brown*, 2 Story Cir. Ct. R. 502 (1843). "Now," says the court in *In re Brown*, *supra*, "the bank is not bound to pay unless it is in full funds, and it is not obliged to pay or accept to pay, if it has partial funds only, for it is entitled to the possession of the check on payment, and, indeed, in the ordinary course of business, the only voucher for the bank in any payment is the production and receipt of the check, which the holder cannot safely part with unless he receives full payment, nor the bank exact unless under like circumstances." See further, *Kymer v. Laurie*, 18 L. J. (Q. B.) 218.

† *Birchall v. Third Nat. Bk.* 15 W. N. C. 174; *Bank v. Peck*, 127 Mass. 292, and see cases *supra*.

‡ *Fernandez v. Glynn*, 1 Camp. 426 and notes.

§ *Morse on Banks and Banking* (2d. ed.) 521-2; Grant on Banks and Bankers, 45; *Rolin v. Steward*, 14 C. B. 595; *Marsetti v. Williams*, 1 B. & A. 415; *Whitaker v. Bank of England*, 6 Car. & P. 700 (1834); 1 C. M. & R. 744 (1835); 2 Pars. on N. & B. 63-4.

¶ In *Marsetti v. Williams*, *supra*, a deposit which together with the other funds of the customer already in the bank, sufficient to meet the draft was made a few minutes before 11 o'clock in the forenoon, and the check was presented for payment ten minutes before three o'clock in the afternoon of the same day. This was held to be a sufficient time intervening for the bank "to avail itself of the deposit."

¶ In *Rolin v. Steward*, *supra*, the deposit was made at one o'clock P. M., and the check presented at three P. M. the same day. The two hours was held to be sufficient time.

BANKING IN CHINA.—Advices from Tokio state that a National bank known as the "Government Bank of China" has been established at Peking, with a capital half Chinese and half foreign. The board of management is to be composed of Chinese and foreigners equally divided.

## MEANING OF "PROTEST WAIVED."

SUPREME COURT OF PENNSYLVANIA, MAY, 1884.

*The Annville National Bank v. Kettering.*

The words "protest waived" include waiver of demand and notice.

STERRETT, J.—No principle of the law merchant is better settled than that demand and notice of the non-payment of a negotiable note may be waived by the indorser, either orally or in writing, or by acts clearly calculated to mislead the holder and prevent him from treating the note as he otherwise would; but there is some diversity of opinion as to what constitutes a waiver of these necessary prerequisites to charge the indorser. Where a written waiver of "demand and notice" accompanies the indorsement, or is given by the indorser before maturity of the note, there can be no question as to its legal effect; nor can there be any doubt when the language employed clearly imports or implies the same thing. It has been doubted, however, whether the words "protest waived," written on a note by the indorser, or his separate request in writing not to protest it, is a waiver of both demand and notice, and in some cases these words have been considered insufficient to dispense with either; but the weight of both reason and authority is that they do constitute a waiver of both. Strictly speaking, the term "protest" applies only to foreign bills; but the custom to treat inland bills and notes in the same manner as foreign bills has become so well nigh universal that, in common parlance, the term means the taking of such steps as are required to charge the indorser. For the same reason the word "protested," sometimes employed in giving notice of honor to indorsers of inland bills and notes, clearly implies demand, non-payment, and consequent dishonor of the bill or note in all cases where protest is necessary; 1 Pars. Bills and Notes, 471, 575, 579, 582, and authorities there cited.

It is not essential that the waiver should be in writing. When the fact is established by competent evidence, a parol waiver is as valid and binding as a written one. The only difference is in the character of the proof. *Barclay v. Weaver*, 7 Harris. 396. It was there held that a verbal agreement between the holder and indorser to renew a note at maturity might be shown by oral testimony, and that demand and notice were thereby dispensed with. The general principle underlying nearly all cases of waiver is that the indorser has by word or deed done something calculated to mislead the holder, and induce him to forego the usual steps to fix the liability of the former. It is unnecessary to refer specially to several well-considered cases in other States, holding that a waiver of protest, without more, dispenses with demand and notice of non-payment. They are in full accord with our own cases on the subject, the last of which is *Huckenstein v. Hermann*, 24 *Pittsburgh Legal Journal*, 186. That was a suit by the holder against the indorser of a note which was not presented for payment at maturity. To sustain the averment of demand and notice of non-payment, the plaintiff relied on the words "protest waived" written

on the note, and signed by the indorser the day before, or early in the morning of the day the note matured. The court charged in substance that the words were equivalent to an express waiver of demand and notice, and on that point there was a verdict for the plaintiff. In the *per curiam* opinion of this court, affirming the judgment of the Common Pleas, it is said: "A waiver of protest before maturity of a note is a waiver of all the steps leading to it, and includes demand and notice of non-payment. This, we think, is the general understanding of a waiver of protest among business men.

"The very purpose of a waiver is to supersede the ordinary steps and avoid trouble and expense. To waive the mere act of the notary, and yet suffer the duty of making demand and giving notice of its result to remain, would scarcely be thought of by business men." It is argued by the learned counsel of defendant that this conflicts with the former ruling of this court in *Scott v. Greer*, 10 Barr. 103, but we do not so understand it. In that case it was held that the waiver of protest by an indorser on the day the note matured puts him in the same situation as if the protest had been made and proved; and there being no contradictory evidence, it is proof, under the act of assembly, of demand, refusal and notice. It is true, the learned judge who delivered the opinion in that case intimates that the *prima facie* case thus presented by the plaintiff might have been rebutted by showing that no demand was in fact made; but what was said on that subject was aside from the question before the court, and, in so far as his remarks may be considered in conflict with the rulings in *Huckenstein v. Hermann*, *supra*, they cannot be regarded as authority for the position that a waiver of protest does not necessarily imply a waiver of demand and notice. The principle decided in *Huckenstein v. Hermann*, is akin to that involved in *Ridgway v. Budd*, 1 Harris. 208, and *Brittain v. The Doylestown Bank*, 5 W. & S. 87. In the latter case the indorser, by memorandum on the note, waived "notice of non-payment by the maker," and it was held that proof of demand was thereby rendered unnecessary. "The interpretation," said Gibson, C. J., "is that he agreed to become immediately liable, without more, in case the note should not be taken up at maturity." In the case at bar it is conceded there was neither demand nor notice of non-payment, nor was there any written waiver of protest. For the purpose of sustaining the material averment of demand and notice, testimony was introduced by plaintiff tending to prove, in substance, that during a course of dealing with the bank, defendant had several notes discounted and the proceeds placed to his credit; that when he first requested a discount he informed the officers of the bank that, desiring to deal with them, he would be obliged to apply for discounts, and wished it to be understood that none of his notes should be protested; that pursuant to this request none of them were protested; nor was payment of them demanded of the maker; and, in consequence of that understanding, payment of the note in suit was not legally demanded, nor was notice of non-payment given to defendant. In view of this testimony the court was requested to charge:

1. "If an indorser gives directions to the indorsee, at the time or before he brings the note for discount, that the same shall not be protested, and this is assented to by the indorsee, it relieves the latter from the duty of making demand for payment of the maker,



and of giving notice of the non-payment to the indorser of such note."

2. "If the defendant waived protest of the note before maturity, no demand of the maker was necessary to charge him with its payment."

The learned judge refused these points, saying, "Such waiver of protest is *prima facie* evidence of presentment to and demand upon the maker, but it does not relieve the indorser from the necessity of such presentment and demand;" and he further instructed the jury in substance, that if, in point of fact, no demand was made or no notice given to defendant the plaintiff could not recover. It being conceded that there was no legal demand or notice, the verdict, as matter of course, was for defendant. The plaintiff's testimony, if believed by the jury, was clearly sufficient to have warranted them in finding the facts as stated in the foregoing points, and for reasons already suggested they should have been affirmed.

When the alleged waiver is in writing, its construction is for the court; but when it consists of verbal communications, it is the special province of the jury to consider the testimony and ascertain the facts. When ascertained, it is their duty to apply the law under the direction of the court. Assuming the facts to be as recited in the points, the law as therein stated is correct, and hence there was error in refusing to affirm plaintiff's first and second points, and in charging the jury as complained of in the third specification.

Judgment reversed, and a *venire facias de novo* awarded.

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## LEGAL MISCELLANY.

CORPORATION—DISSOLUTION—ACT 1874, CH. 324—REFUSING TO MAKE REPORTS.—Defendant, by his charter, is authorized "to establish a public exchange and mart for receiving deposits of and transferring earnest moneys, stocks, bonds and other securities. . . and for the procurement and making of loans on the same . . . guaranteeing the payment of bonds and other obligations." *Held*, that it was a "loan, mortgage, security, guaranty or indemnity company," and a corporation "having the power and receiving money on deposit" within the meaning of the act of 1874 (§ 1, ch. 324, Laws of 1874), requiring every such corporation to make a report semi-annually to the superintendent of the banking department; and that upon its refusal to make such reports, an action was properly brought by the attorney-general to dissolve the corporation. If this had been exclusively a deposit company, or a loan company, or a guarantee company, or a mortgage security company, thus confined to one kind of business, it could not be doubted that it would come within the act of 1874; but the fact that its powers are so general, it being allowed to do all these various kinds of business, certainly cannot take it out of the operation of the act. It is within the policy, and we think within the letter of the law, and hence the disposition made of the case by the court below was right; and its judgment should be affirmed, with costs. [*People v. Mut. Trust Co.*] N. Y. Ct. of Appeals.

TRUST—BANK AND DEPOSITOR—FRAUD—RECEIVER OF BANK—ORDER REQUIRING HIM TO PAY NOTES—COSTS.—The Rochester City Bank having discounted certain notes for a firm which was a depositor with it, and that firm, wishing to anticipate payment, gave to the bank its checks for the amount of the notes, less rebate of interest, which checks the bank received and charged in the firm account, and entries were made in the bank books to the effect that the notes were paid. The firm at the time supposed that the bank held the notes, but they had, in fact, been previously sold by the bank. Before the notes became due the bank failed, and in an action, brought by the attorney-general in the name of the people, a receiver was appointed of its property and effects. *Held*, that an order requiring the receiver to pay the notes out of the funds in his hands was properly granted; that the transaction between the bank and said firm was not in their relation of debtor and creditor, nor in that of bank and depositor, but by it a trust was created, the violation of which constituted a fraud by which the bank could not profit, and to the benefit of which the receiver was not entitled. *Libby v. Hopkins*, 104 U. S. 303; *In re Le Blanc*, 14 Hun. 8; affirmed 75 N. Y. 598. Those cases stand upon the ground of a specific appropriation of a particular fund for the payment of the claim there brought in question. So does the one at bar. That fact is lacking in the case of *People v. Merchants and Mechanics' Bank*, 78 N. Y. 269; 34 Am. Rep. 532, on which the appellant relies; and this distinction is pointed out by the learned judge who delivered the opinion in that case. Counsel for the appellant contends "that there never was any fund set apart for a particular object, or any intention or purpose to set apart such a fund." I do not regard this, if true, as of much importance, but the appeal papers do not permit us to accept such construction. The checks of the petitioners were money assets in the hands of the bank, and were so treated by all parties, but they were delivered to it with explicit directions to apply the proceeds on payment of the notes; those directions were assented to by the bank officer, and the checks collected from the general fund. From that moment the bank was bound to hold the money for, and apply it to, that purpose and no other, or, failing to do so, return it to the petitioner. As to it, the bank was bailee, or trustee, but never owner. It is estopped from saying that all this is matter of bookkeeping. It assumed a duty, and the receiver as its representative is bound by it. Nor does this obligation at all depend, as the appellant seems to suppose, upon the question, when, where, and to whom the notes were to be paid; whether presently or in the future is immaterial. The specific object for which the fund was created was the payment of the notes, and its character does not depend upon those incidental circumstances. The checks were impressed with a trust, and no change of them into any other shape could divest it so as to give the bank or its receiver any different or more valid claim in respect to them than the bank had before the conversion. *Van Alen v. Am. Nat. Bank*, 52 N. Y. 1; *Dows v. Kidder*, 84 id. 121. (2) The application of the petitioners to the court below was not a motion under section 768 of the Code, but a special proceeding for the enforcement or protection of a right under section 3,334; costs might therefore be awarded in the discretion of the court, as on appeal from a judgment taken to it. Section 3,240. [*People v. City Bank of Rochester*. N. Y. Ct. of Appeals.]

**BROKER—SEAT IN STOCK EXCHANGE—LIABLE FOR DEBTS, U. S. R. S., § 5104—JURISDICTION OF STATE COURT.**—There can be no doubt that a seat or membership in the New York Stock Exchange is, in a certain sense, property. It has great value to the owner or possessor, and may, under the conditions prescribed in the Constitution and by-laws, be transferred and transmitted and converted into money. *Grocers' Bank v. Murphy*, 60 How Pr. 426; *Ritterband v. Baggett*, 4 Abb. N. C. 67; *Powell v. Waldron*, 89 N. Y. 328; 42 Am. Rep. 301; *In re Ketcham*, N. Y. Daily Reg., Feb. 9, 1880; *Elliot v. Mer. Ex. of St. Louis*, 28 Alb. L. J. 512; *In the Matter of Werder*, id. 176; *In re Gallaher*, 19 N. B. R. 224; *Hyde v. Woods*, 94 U. S. 523. The question as to the character of the property of such a seat is so fully discussed in the authorities cited that nothing more is necessary to be added. But the property in the seat, whatever it was, as between the defendant, Jones, and the plaintiff, passed by the assignment in bankruptcy, and as between them vested in the plaintiff as fully as it was before possessed by the defendant. By that assignment the defendant was as fully and completely divested of his property in the seat or membership as he could be by any paper or instrument which he could execute; and he could do nothing more to vest complete, perfect title as against himself in the plaintiff. United States Rev. Stat., § 5104, provides that "the bankrupt shall, at all times, until he is discharged, be subject to the order of the court, and shall, at the expense of the estate, execute all proper writings and instruments, and do all acts required by the court touching the assigned property or estate, and to enable the assignee to demand, recover and receive all the property and estate assigned wherever situated." That section conferred ample authority upon the bankrupt court until the discharge of the bankrupt; but that authority ceases after the discharge by the very terms of the section. And so it has been held in numerous cases. *In re Jones*, 6 B. R. 386; *Cook v. Whipple*, 9. id. 155; *In re Dean*, 3 N. B. R. 188. After the discharge of the bankrupt, and while the discharge is in force, the bankrupt court has no more jurisdiction over him than over any other person. He can be compelled to act then, not summarily by motion or order under section 5104, or any other section of the Bankrupt Act, but simply in some regular judicial proceeding as a party thereto or as a witness therein. There is no question that a State court would have jurisdiction of such an action as this at the proper time, when sufficient facts shall exist which will require the exercise of its jurisdiction. *Ward v. Jenkins*, 10 Metc. 583; *Stevens v. Mechanics' Savings Bank*, 101 Mass. 109; 3 Am. Rep. 325; *Cook v. Whipple*, 55 N. Y. 150; 14 Am Rep. 202. [*Platt v. Jones*. N. Y. Ct. of Appeals.]

**PLEGDED SECURITIES—REHYPOTHECATION BY BROKER.**—Where the owner of securities pledges them with a stock-broker as collateral to a loan, the latter has no right to rehypothecate them in such a way that they cannot be restored to the owner upon payment of the loan, although both parties understood that the broker would have to use the securities to obtain the loan. Usage is inadmissible to destroy a contract. [*Oregon & Transcontinental Co. v. Hilmers*. Cir. Ct. S. D. New York.]

## ANNUAL REPORT OF COMPTROLLER CANNON.

The annual report of H. W. Cannon, Comptroller of the Currency, shows that during the year ended November 1, 191 banks have been organized, with an aggregate capital of \$16,042,230, and that circulating notes have been issued to these new associations amounting to \$3,866,230.

These banks are located by geographical divisions as follows: Eastern States ten banks, with capital of \$810,000; Middle States twenty-five, with capital of \$1,812,250; Southern States thirty, with capital of \$2,991,100; Western States one hundred and two, with capital of \$8,905,880; Pacific States five, with capital of \$380,000; Territories nineteen, with capital of \$1,143,000.

Since the establishment of the National banking system on February 25, 1863, there have been organized 3,261 National Banks. Of these, 404\* have gone into voluntary liquidation for the purpose of winding up their affairs, 70 have gone into voluntary liquidation for the purpose of reorganization, 16 are in liquidation by expiration of their charter, of which number six have been reorganized, and 100 have been placed in the hands of receivers for the purpose of closing up their affairs, leaving the total number in existence on November 1, 1884, 2,671, which is the largest number that has been in operation at any one time. The corporate existence of ninety National banks expired during the year, of which eighty-three have been extended under the Act of July 12, 1882, six have permitted their corporate existence to expire, and are in liquidation under section seven of said Act (four of which have been succeeded by other banks in the same places and nearly the same shareholders), and one has been placed in voluntary liquidation by the vote of shareholders owning two-thirds of its stock. The corporate existence of 154 National banks, with an aggregate capital of \$56,161,370, will expire during November and December of this year, and the corporate existence of 720 National banks, with an aggregate capital of \$188,971,475, will expire during 1885. Eleven National banks, with an aggregate capital of \$1,285,000, have failed and been placed in hands of receivers during the year.

There is no doubt that the National banking system has been of great value to this country in many ways other than the supplying a sound and almost perfect paper currency. The additional safety afforded to depositors by the restrictions and precautionary provisions of the Act, the publicity of the reports of the condition of the banks, and the regular examination and supervision by officers of the Government is well understood by the public, and it is probable that the people would demand that, if possible, the system be continued, even if the public debt be hereafter reduced to a point where it is impossible for the banks to issue more than the amount of circulation that can be secured by the minimum of bonds now required by law. Although it is possible that the public confidence in National banks will enable associations organized under the Act to do a much larger and more profitable business than if organ-

\* Exclusive of the Metropolitan National Bank, of New York City, which was placed in voluntary liquidation November 18, 1884.

ized under the laws of the various States, it is probable that, were there no profits on circulation, bankers, as a rule, might be unwilling to submit to the restrictions which, as safeguards to the public, the National banking law compels those who organize associations under it to submit to, and that, therefore, when the profit on circulation is reduced to a point where it does not compensate for the inconvenience of the restrictions, many National banks will leave the system. The time of the final payment of the debt is, however, yet distant, and with appropriate legislation there will probably be for many years no lack of bonds as a safe basis of circulation. Moreover, no feasible plan with other security has as yet been suggested, affording a sound currency redeemable on demand in specie, and the Comptroller believes that it is extremely doubtful whether, after their experience for the last twenty years, with the safe and convenient currency issued by the National banks, the people would be satisfied with a currency based on any security other than United States bonds.

The following table exhibits the resources and liabilities of the National banks at the dates given, from 1874 to 1884, inclusive:

	Oct. 2, 1874.	Oct. 2, 1876.	Oct. 1, 1878.	Oct. 1, 1880.	Oct. 1, 1881.	Oct. 3, 1882.	Oct. 2, 1883.	Sept. 30, 1884.
	2,004 banks.	2,089 banks.	2,053 banks.	2,090 banks.	2,132 banks.	2,269 banks.	2,501 banks.	2,664 banks.
<b>RESOURCES.</b>	<i>Mill'ns.</i>	<i>Mill'ns.</i>	<i>Mill'ns.</i>	<i>Mill'ns.</i>	<i>Mill'ns.</i>	<i>Mill'ns.</i>	<i>Mill'ns.</i>	<i>Mill'ns.</i>
Loans.....	984.4	931.3	834.0	1,041.0	1,173.8	1,243.2	1,309.2	1,245.3
Bonds for Circulation.....	383.3	337.2	347.6	357.8	363.3	357.6	351.4	327.4
Other U. S. bonds.....	28.0	47.8	94.7	41.6	56.5	37.4	30.7	30.4
Stocks, bonds, &c.....	27.8	34.4	36.9	48.9	61.0	66.2	71.1	71.4
Due from banks.....	134.8	146.9	138.9	213.5	230.8	198.9	208.9	194.2
Real estate.....	38.1	43.1	46.7	48.0	47.3	46.5	48.3	49.9
Specie.....	21.2	21.4	30.7	109.3	114.3	102.9	107.8	128.6
Legal-tender notes.....	80.0	84.2	64.4	56.6	53.2	63.2	70.7	77.0
National-bank notes.....	18.5	15.9	16.9	18.2	17.7	20.7	22.7	23.3
Cl. House Exchanges.....	109.7	100.0	82.4	121.1	189.2	208.4	96.4	66.3
U. S. cert. of deposit.....	42.8	29.2	31.7	7.7	6.7	8.7	10.0	14.2
Due from U. S. Treas'r.....	20.3	16.7	16.5	17.1	17.5	17.2	16.6	17.7
Other resources.....	18.3	19.1	24.9	23.0	26.2	28.9	28.9	33.8
<b>Totals.....</b>	<b>1,877.2</b>	<b>1,827.2</b>	<b>1,767.3</b>	<b>2,105.8</b>	<b>2,358.4</b>	<b>2,399.8</b>	<b>2,372.7</b>	<b>2,279.5</b>
<b>LIABILITIES.</b>								
Capital stock.....	493.8	499.8	466.2	457.6	463.8	483.1	509.7	524.3
Surplus fund.....	123.0	132.2	116.9	120.5	128.1	132.0	142.0	147.0
Undivided profits.....	51.5	46.4	44.9	46.1	56.4	61.2	61.6	63.2
Circulation.....	334.2	292.2	301.9	317.3	320.2	315.0	310.5	289.8
Due to depositors.....	683.8	666.2	668.4	887.9	1,083.1	1,134.9	1,063.6	993.0
Due to banks.....	175.8	179.8	165.1	267.9	294.9	259.9	270.4	246.4
Other liabilities.....	9.1	10.6	7.9	8.5	11.0	13.7	14.9	15.8
<b>Totals.....</b>	<b>1,877.2</b>	<b>1,827.2</b>	<b>1,767.3</b>	<b>2,105.8</b>	<b>2,358.4</b>	<b>2,399.8</b>	<b>2,372.7</b>	<b>2,279.5</b>

The following table gives the various kinds and amounts of bonds held by the banks on November 1, 1883, and November 1, 1884:

	1883.	1884.
Three and a-halves.....	\$ 632,000	.....
Threes.....	201,327,750	\$ 155,603,400
Four and a-halves.....	41,319,700	49,537,450
Pacific sixes.....	3,463,000	3,469,000
Fours.....	100,164,850	116,705,450
	<b>\$ 352,907,300</b>	<b>\$ 325,316,300</b>

Upon reference to this table it will be seen that the aggregate

reduction of bonds deposited as security for circulation for the year ending November 1, 1884, was \$27,591,000, and the changes were as follows: A reduction of \$45,723,350 in amount of three-per-cent. bonds held; a reduction of \$632,000, being all the three and one-half per cents. held; an increase of \$10,540,600 in four per cents.; an increase of \$8,217,750 in four and one-half per cents., and an increase of \$6,000 in Pacific sixes. The total reduction of bonds deposited to secure circulation would have been much greater, but the financial troubles of May reduced the market price of the four and four and one-half per cents., and banks were enabled for a time to replace their called three per cents. by fours and four and one-halves at a price which afforded an increased profit on circulation, and new banks took advantage of this state of affairs and also purchased fours and four and one-halves for deposit to secure their circulation. It will be seen upon reference to the table that the banks held on November 1, 1884, \$155,604,400 of the three-per-cent. bonds under the act of July 12, 1882, payable at the pleasure of the Government.\* The total amount of these bonds outstanding on November 1 was \$194,190,500. The Comptroller points out that these bonds will probably be paid within the next two years, even if considerable changes are made in the tariff, and from 1887 to 1891, when the \$250,000,000 of four and a-half per cents. mature, there will be no bonds which the Government can call in for redemption. No doubt the accumulation of surplus revenue, if it continues to accrue at the present rate during the four years between 1887 and 1891, together with the revenues of 1892, will be more than sufficient to pay off the four and a-half per cents, and from 1892 until 1907 it will be impossible for the Government to use any of its surplus revenues for the payment of its bonds, except at the option of their holders. It is apparent that the Government cannot accumulate and hold its surplus revenues even during the short period from 1887 to 1892, without great disturbances to the business interests of the country, and much less can it do so during the longer period of 1892 to 1907. It appears, therefore, that the foregoing considerations should be given due weight in any plan for the funding of the four-per-cent. bonds maturing in 1907, and the Comptroller, therefore, suggests that the principal difficulties of the situation may, perhaps, be obviated, as well as the reduction of interest effected by funding these bonds into others which shall mature in proportionate amounts at certain fixed intervals. Thus, the \$738,000,000 of four per cents. might be funded into an equal amount of three or two-and-a-half-per-cent. bonds, one-fifth of which, or \$147,600,000, to mature at intervals of five years, the first installment falling due July 1, 1897, and the remaining installments of \$147,600,000 each on the first of July in the last year of each succeeding period of five years, namely, 1902, 1907, 1912, and 1917. The average maturity of these five classes of bonds would be the same as that of the present four per cents., namely, July 1, 1907. Whatever course may be deemed expedient by Congress in regard to the funding or future payment of the public debt, the Comptroller is of the opinion that it is perfectly safe and will afford great benefit to the public to permit an issue by the National banks of circulation to the extent of 100 per cent. of the par value of the bonds deposited, instead of

\* Of these bonds \$9,586,200 have been called for payment on which interest ceased on November 1, 1884. If these bonds are not replaced by others bearing interest, there will be an immediate further reduction in circulation of 90 per cent. of their amount.

ninety per cent. Even admitting that the bonds representing the public debt, when funded at lower rates, might at times in the future be below par in the market, the Government would, if forced to redeem the notes of insolvent National banks, always have the right to cancel the bonds on deposit securing the same, and thus extinguish an amount of its debt equal, dollar for dollar, to the notes redeemed. It is further submitted that the profit on circulation may be increased to a point which will induce the banks to keep up their circulation to a maximum, and stop the contraction of their circulation which is now occurring, by repealing the law taxing the circulation at the rate of one-half of one per cent. semi-annually. In concluding this subject the Comptroller wishes to have it distinctly understood that he is not in favor of any measure which will cause inflation. He is of opinion that the present aggregate paper circulation, made up of legal tender and National bank notes and of gold and silver certificates, is ample for all the needs of business. He believes, however, that the sudden contraction of the National bank circulation, which, without appropriate legislation, is imminent, will seriously embarrass the business of the country, and that, if this contraction is permitted to go on, it may result in the entire discontinuance of the issue of notes by National banks.

In considering the financial troubles of May 1884, the Comptroller calls attention to the fact that while many banks and private banking firms of excellent repute failed, only one association organized under the National bank Act failed, and only one suspended in the City of New York. The liabilities of State banks and private bankers failing during the month of May in that city, it is estimated, exceed, in the aggregate, \$32,000,000, while the liabilities of the only National bank in the same category was about \$4,250,000, no loss to the public occurring through the National bank which suspended. Only eleven National banks failed in the United States during the year, although more than 100 banks and bankers other than National failed during the same period.

Since the commencement of the National banking system 100 banks have been placed in the hands of receivers, 474 banks have voluntarily closed their business, and the corporate existence of 15 banks has expired by limitation. Of the banks in the hands of receivers, 9 had been previously placed in voluntary liquidation by their stockholders, but failing to pay their depositors, receivers were afterwards appointed by the Comptroller to wind up their affairs. Of the 100 banks placed in the hands of receivers, 63 have been finally closed, leaving 37 still in process of settlement; 21 of which, as has been seen, are awaiting the results of pending litigation, leaving about 16 receiverships only in *active* operation.

The loss to creditors of National banks which have been placed in the hands of receivers during the twenty-one years that have elapsed since the passage of the act of February 25, 1863, has been about \$8,266,000. The annual average loss has been, therefore, about \$400,000 in the business of corporations having an annual average capital of about \$450,000,000, and with deposits in their hands, averaging constantly over \$800,000,000; or about one-twentieth of one per cent. of annual loss to depositors.

The total amount paid to creditors of insolvent National banks amounts to \$23,499,522, upon proved claims amounting to \$38,489,810.

The late date at which this report has reached us, precludes further extracts until next month.

## BOOK NOTICES.

*Outlines of Roman Law comprising its Historical Growth and General Principles.* By WILLIAM C. MOREY, Ph.D., Professor of History and Political Science in the University of Rochester. New York and London: G. P. Putnam's Sons.

The author states in the preface his prime object in preparing the work. It is to serve as a manual for the use of students and others who desire an elementary knowledge of the history and principles of the Roman Law. Prof. Hadley, of Yale College, several years before his death, gave a short course of lectures annually on this subject, which were of great interest and value.

The first part of the work relates to the growth of the Roman law. The organization of early Roman society, the character of the twelve tables, of which fragments only exist, the enlargement of the State and the extension of the franchise, the jurisdiction, character and functions of the Roman Praetor, the establishment of the imperial system, its reorganization begun by Diocletian and its codification by Justinian—are some of the topics treated in the first part of the work. The second part relates to the general principles or substance of the Roman law. After a short introductory chapter on the fundamental concepts and divisions of the law, the author considers first the laws relating to persons; and, secondly, those relating to things; and, lastly, the remedies for the violation of rights. The Romans regarded law as resting in justice—an element in the moral nature of man—and remotely on the moral order of the universe. Moreover, as Prof. Morey says, not only was law based on a moral principle, "it was also conceived to be a means for the attainment of a moral end." A system of law so broadly and deeply conceived is well worthy of study and of a place in a system of liberal education. Of all the work done by the Romans for the world, their system of jurisprudence was the best, and is the most enduring. This will be studied and admired when the name and exploits of every Cæsar shall be forgotten. Prof. Morey has written a highly useful book, and we trust that it will be read as widely and thoroughly as the importance of the subject merits.

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*Property and Progress; or a Brief Inquiry into Contemporary Social Agitation in England.* By W. H. MALLOCK. New York: G. P. Putnam's Sons. 1884.

This is a felicitously entitled work, combating the leading doctrines announced by Henry George in his *Progress and Poverty*. It is a work of very unequal ability. Some of his refutations of George's positions are strong, others are notably weak. His reply to George's criticisms of Malthus, for example, is scarcely worthy the name of reply. The errors in the Malthusian doctrine were clearly seen long before George wrote, he contributed nothing whatever on that side of the subject, and we are unable to perceive that Mr. Mallock has fortified Malthus's positions at any point. The writer



in this country who first demolished Malthus was Alexander Everett during his controversy with Prof. Tucker of the University of Virginia. But when George wrote his book he had never seen Everett's writings, and indeed had read but few economic writers on any subject. This is one of the most remarkable things about his book, that he drew so much from his own seeing and reasonings. Mr. Mallock is more successful when criticising Mr. George's ideas concerning the payment of labor. But if Mr. George's doctrine—that the laboring class always creates its own wages as it receives them—be incorrect, is not the opposite doctrine also, that wages are always drawn from capital. It seems to us that Mr. George has shown that the old doctrine is faulty, while Mr. Mallock has shown that Mr. George claims too much for the laboring class, when maintaining that they always create their wages as they receive them. The style of the book is good, some things are strongly and well said, and it will serve a useful purpose. The author, though, is guilty of a great blunder in saying of George's book that, "In America its sale was so large and rapid that it had already gone through a hundred editions there before it was known by so much as its name" in England. Before the first edition was sold in this country, Prof. Leslie reviewed it in the *London Academy*, and it has had a far wider sale abroad than in the country of its original publication.

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*Report on the Internal Commerce of the United States.* By JOSEPH NIMMO, Jr., Chief of the Bureau of Statistics, for the Fiscal Year 1882-83. Washington. 1884.

The great value and magnitude of our internal commerce is clearly shown in the annual report of Mr. Nimmo, chief of the Bureau of Statistics. The value of the products is seven times the total value of our foreign commerce; nearly three times the total value of the foreign commerce of Great Britain and Ireland, and five times the total value of the foreign commerce of France, including in each case both imports and exports. The total value of the products of industry in the United States is also shown to be a little more than twice the total value of the exports of merchandise from all the countries of Europe. The United States is now the largest manufacturing country on the globe. The value of the products of American manufacture consumed at home is five times the value of the manufactured products of Great Britain and Ireland exported to all other countries, and more than fourteen times the value of the exports of the manufactured products from France to all other countries. The relative value of the internal as compared with the foreign commerce of the country is also illustrated by statements showing that 99 per cent. of the coal mined in this country, 95 per cent. of our iron and steel products, 95 per cent. of the products of our leather industry, more than 99 per cent. of our manufactures of wool, 95 per cent. of the product of our cotton manufactures, more than 99 per cent. of our manufactures of silk, and 97 per cent. of our manufactures of glass, glassware, earthenware, and stoneware are consumed in the United States. The report shows that the total value of the exports of merchandise from and imports of merchandise into California, Oregon, and Washington territory for the year ended June 30, 1884, was \$83,565,814. The value of exports was \$46,386,284, and imports \$37,179,-

530. The exports of petroleum and petroleum products for the eight months ended August 31, 1884, was 327,091,317 gallons representing \$30,606,628. The exports for the same period of the previous year were 344,892,207 gallons, representing \$30,917,632. These facts and figures are highly suggestive. They bring into bold relief the importance of our domestic commerce. Compared with this our foreign commerce is a small business. Nor need we trouble ourselves to enlarge it so long as foreigners are willing to carry our products to other countries at such a small profit to themselves. We can do far better with our capital than to invest it in steamships until they pay much better than even the most favored lines which run from our ports to foreign ones are now paying.

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## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. RESPONSIBILITY FOR COLLECTING AGENTS.

On October 17th, the date of N. C. Snider & Sons' (bankers, Grenada, Miss.) assignment, we received from them their draft on New York as returns for collections we sent them, which were the property of a New York bank. Believing the loss, if any, to be upon our New York friends, who were the owners of the collection paper, we indorsed the draft to them without recourse, but they return it protested for non-payment, and make claim upon us for the amount. Snider & Son were the only bankers at Grenada, and were of sufficient reputation for us to send our own paper to them. We always sent for collection and *returns*, and never for *credit*.

Where do you think the loss should fall?

REPLY.—Upon the New York bank. This case involves the much disputed question whether a bank, which receives for collection negotiable paper, payable at a distant place, is responsible for the solvency of the agents or correspondents to whom it commits the paper for presentment upon the parties liable thereon. Our correspondent will find a full discussion of the subject in our number for July, 1878, p. 63. We think the better rule is that, if the collecting bank has used reasonable and proper care in the selection of its agents or correspondents, it is not responsible, and we answer the inquiry upon that theory. The law of New York and Ohio, and perhaps of some other States, is otherwise; and the issue of a suit, if one should grow out of the facts stated in the inquiry, must depend upon the law governing the particular tribunal before which the suit may be tried. The courts of Tennessee, from which State the inquiry comes, follow the rule which we have adopted. *Bank of Louisville v. Bank of Knoxville*, 8 Baxter 101.

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### II. DEATH OF DRAWER OF A CHECK.

A lady inherited an estate, by which she at times became in possession of sums of money, and not wishing to be troubled to draw a check each time she needed a small amount, handed all her money, upon receipt, to her son, who deposited it to his own credit. The fact of the money not being his own we did not learn until after his death, though we suspected that he was not the owner of it. The son became in delicate health, and she sup-

ported him altogether. Two days before he died he drew a check in his own writing for \$3,450, the balance of money he knew to be standing to his credit on our books, and gave it to her, she having previously always kept the bank book in her own possession. In drawing the check he had failed to date it, and his mother, noticing that fact later in the day, called in two neighbors, who witnessed him date the check and again hand it over to his mother. One of the witnesses advised her to come to the bank immediately and have the money transferred, though he says he did not know that the check could not be paid after drawer's death. The mother was so worked up by the loss of an only son that she would not follow the advice of the witness, but after the son had been buried one week she presented the check. We refused payment, and now hold the matter under consideration. Additional facts in the case are that she is able to prove, by the court records, that on a day in July, upon which her son made a deposit of \$2,500, she transferred property, for which she received \$2,800, retaining \$300, and giving the balance to her son to deposit in a safe place for her. She can, as well, prove actual ownership of all money standing to his credit. The son has no debts outstanding. Would not the bank be justified in paying the check under these extraordinary circumstances? Had it been his own earned money, was not the gift of the check, in the presence of two reliable witnesses, the gift of the money?

REPLY.—We think the check was revoked by the death of the son (see last November number, p. 387), and that there was no valid gift of it to his mother. (See Morse on Banking, p. 381.) We do not see how the check, as a check, can properly be paid. But, upon another ground, the bank may rightfully pay the amount of the deposit to the mother, if satisfied of the truth of the facts stated in the inquiry. It is evident that the money was not the son's money, but that he deposited it merely as her agent. It is well settled that, where an agent deposits the money of his principal in a bank, a trust is impressed upon the deposit in favor of the principal, which the principal can enforce, if occasion requires it, by proceedings brought directly against the bank in his own name. *Van Allen v. American National Bank*, 52 N. Y. 4; *In re Hallett's Estate*, *Knatchbull v. Hallett*, L. R. 13 Ch. D. 696. The facts stated appear to bring the case clearly within this rule, and, under the peculiar circumstances, we can see no objection to paying the amount of the deposit over to the mother, as the real owner of it, keeping the check as an authority for the payment, for what it may be worth.

### III. LIABILITY OF INDORSER OF CERTIFICATE OF DEPOSIT.

Is it necessary to protest a certificate of deposit, payment on which is refused, because the issuing bank does not recognize payee's signature?

REPLY.—The liability of the indorser of a certificate of deposit is the same as that of the indorser of a promissory note, and he is entitled to require that a demand shall be made upon the issuer of the certificate, and that notice of its non-payment shall be given to him, in precisely the same way as the indorser of a promissory note. Daniel on Neg. Insts., § 1,702. Protest, in the sense of protest by a notary public, is unnecessary in either case. It is of no importance what reason the issuer may give for the refusal to pay. Of course no protest is requisite to fix *his* liability, and the only reason conceivable for a question on that point is that, in the event of a claim for damages, the fact of his refusal to pay may be more distinctly proven by the certificate of a notary.

## BANKING AND FINANCIAL ITEMS.

REDEMPTION EXPENSES.—The Treasurer of the United States has informed the officers of the National banks that the rate of assessment for expenses for the redemption of National bank notes for the fiscal year ended June 30, 1884, is \$1.31 978-1000 for each \$1,000. The aggregate amount of National bank notes redeemed and assorted during the year was \$121,911,764, and the total expense for transportation and assorting was \$160,897.

NEW YORK.—Mr. George Montague, President of the Seventh Ward National Bank, has been elected and has accepted the presidency of the Second National Bank. Mr. Montague started as a clerk in the Troy City Bank in the year 1845. In 1859 he entered the Merchants' Exchange Bank of this city as a teller. In 1865 he was appointed cashier of the Seventh Ward Bank, and has been its president since 1872.

THE METROPOLITAN BANK.—A meeting of the stockholders of the Metropolitan Bank was held on November 18th to consider the advisability of liquidating the affairs of the institution. About 30,000 shares of stock were represented. After a long discussion, a proposition to liquidate was submitted, and received the support of about 25,000 shares. The motion was declared carried.

It is stated that the reason for the decision to go into liquidation was to prevent the appointment of a receiver and an unnecessary expenditure of money. The books prove that depositors will be paid in full, and stockholders may in time receive twenty-five per cent. on the dollar. The bank building will be sold at once, and only the cashier and one clerk retained to wind up the bank's affairs. Mr. George I. Seney has turned over to the bank about \$1,500,000 worth of property.

WASHINGTON.—Mr. H. D. Cooke, of the firm of H. D. Cooke, & Co., bankers, who recently closed their doors in this city, has made an offer of compromise to the creditors looking toward the immediate settlement of minor claims and an extension of time on larger ones. A large number of signatures of the creditors has been obtained. Those most interested express a willingness to allow three or four years' time for the settlement of their claims, believing that the failure was an honest one, and that the assets will eventually realize more than the liabilities of the firm.

INDIANA.—The official report, to State Auditor Rice, of the condition of the State Banks of Indiana, shows that there are now twenty-seven in the State, with a paid-up capital stock of \$1,449,200, total resources of \$4,201,609, and a total surplus fund of \$261,943. Six new banks were organized under the State law during the year, their capital stock being \$255,000, and two other banks increased their capital, making the total increase of the year \$325,000, and of surplus about \$58,000. The report says that six of the State banks were formerly National banks; that but one bank has abandoned the State law and organized under the National law, and that no State bank has ever failed, although some of them have been in existence eleven years. The deposits have been reduced during the year from \$2,654,140 to \$1,964,899, which has necessitated a reduction of loans, but the general condition is reported by the examiners to be sound and satisfactory.

MAINE.—The Portland Trust Company, which has recently been organized, will shortly open its doors for business, and aims to fill a place hitherto unoccupied in the State of Maine. The paid-in capital of the company is

\$100,000, with authority to increase to \$1,000,000. Its management is under a board of fifteen trustees, among whom are some of the strongest business men and capitalists of the State. Confidence of a safe and successful business is assured by the names of Harrison J. Libby, for many years President of the First National Bank of Portland; William G. Davis, founder of the Portland Packing Company; Philip Henry Brown, banker; Governor Frederick Robie; S. A. Holbrook, late State Treasurer; Joseph S. Wheelwright, of Bangor; A. P. Wiswell, National Bank Examiner, and others. The officers are, Harrison J. Libby, President; William E. Gould, Vice-President, and Harry Butler, Secretary.

MISSISSIPPI.—The Mississippi Valley Bank of Vicksburg failed in November, 1883, and an assignment was made by George M. Klein, President of the bank, in which \$450,000 of indebtedness was preferred. The test case of the Hanover National Bank, of New York, to set aside the assignment, was heard before Judge Hill, of the United States District Court, at Jackson, on November 29th. The case was ably argued by counsel on both sides, but Judge Hill rendered a decision setting aside the assignment.

NEW YORK.—The Middletown National Bank, at Middletown, closed its doors on November 28, and has gone into the hands of a receiver. Its capital was \$200,000, with surplus and undivided profits reputed as over \$100,000. The failure was caused by unsafe loans, especially by the taking of drafts without due security from B. D. Brown, a grain dealer of Indianapolis. It is believed that the assets will suffice to pay depositors in full. A. W. Blye, of Syracuse, took possession as receiver on December 2d.

RATES OF INTEREST IN THE SOUTH.—A Southern paper asserts that one of the evils under which the entire South is laboring is the excessive rate of interest charged by banks and local money changers, the rates ranging from two per cent. a month to ten and twelve per cent. a year. It adds that there are a dozen towns throughout the Carolinas and Georgia where capitalists could do a fine business in competition with the old banks. In justice to Southern banking institutions, it may be said, however, that these excessive rates are charged in towns of 6,000 or 7,000 inhabitants where there is only one bank, and not in the principal cities.

It will doubtless be found also that the rule, "high interest means poor security," prevails where this evil is complained of. There is no use for bankers to attempt the making of loans on the security of lands or buildings, which is all that can be offered by many borrowers in the interior points of the South.

TEXAS.—The private bank of Adams & Leonard, at Dallas, closed its doors on November 20. The firm is composed of Samuel J. Adams, and the estate of Jackson L. Leonard. The bank was largely patronized by cotton and cattle men of North Texas, and has enjoyed unlimited credit for fifteen years. The embarrassment results from the inability of the firm to realize on large loans to cattlemen.

William H. Flippen was appointed assignee, and took immediate possession. The only cause of the assignment is the failure to make collections. Among the assets are nearly a million acres of unincumbered Texas lands. The Merchants' Exchange passed a resolution of sympathy for Samuel J. Adams, surviving partner. There has been no run on other banks.

A schedule of liabilities, filed on November 29, shows total liabilities \$317,877; assets, \$612,591. Depositors will be paid in full.

CHICAGO AND ST. LOUIS.—Fast special daily trains between these two cities began in November to run over the Burlington route. These trains comprise first-class coaches, Pullman sleepers, and reclining-chair cars, of which the seats are free. Running through without change, they leave Chicago at 3.30 P.M., reach St. Louis 7.45 A.M.; and leave St. Louis at 8 P.M., arriving at Chicago 7.30 A.M. The Chicago, Burlington & Quincy Railroad certainly affords the best route between these two cities.

CANADA.—At a meeting of the shareholders of the Federal Bank, Toronto, on November 20, the general manager submitted a long report, showing that the losses were unexpectedly large. He recommended the reduction of the capital from \$3,000,000 to \$1,250,000. He made special reference to three principal items of loss, namely: Michigan lumber account, lock-up in Manitoba, and loss by the Commercial Loan and Stock Company.

BRITISH COUPON CONSOLS.—The President of the National Bank of the Republic, Mr. Jno. Jay Knox, has received from Frank May, the chief Cashier of the Bank of England, a specimen of a coupon consol of the English Government. The specimen is for £50 sterling with 19 semi-annual coupons attached for 15s. each, less income-tax.

Mr. May, in his letter, says:—"With regard to your request for a form of our consol certificates to bearer, I am sorry that I cannot send you the same on genuine paper. I have, however, by permission of the Governors, had a specimen printed on ordinary paper, which I now enclose, and which I doubt not will answer your purpose. They are issued under the Act in multiples of £50, and the amounts are £50, £100, £200, £500, and £1,000. They are, as you will see on the face, transferable by delivery, so long as they are left in blank."

These coupon consols are not known in this market, and it is believed that none have ever been offered here.

The form of the consol is as follows:.

CONSOLIDATED  
£3 per Centum Annuities  
Stock Certificate.  
£ Fifty      A 00000.

This is to certify that the bearer of this certificate\*..... is entitled to Fifty Pounds Consolidated Three per Centum Annuities, subject to the provisions of the Act, 26th Victoria, cap. 28, and to the regulations affecting the same. ....

LONDON, 2d June, 1881.

Chief Accountant, Bank of England.

A 00000.      £ Fifty.

\* This certificate is transferable by delivery so long as the blank is not filled up. But the answer may be restricted by the insertion of a name, with address and quality in full. The coupons are payable at the Bank of England, and at any of its country branches. When the coupons are exhausted, this certificate will be exchanged on presentation at the chief cashier's office, Bank of England, for a new certificate with fresh coupons attached.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from November No., page 393.)

No.	Name and Place.	President.	Cashier.	Capital.
3261	First National Bank..... Lampasas, TEX.	A. H. Barnes,	F. R. Malone,	\$ 50,000
3262	Merchants' National Bank..... Crookston, MINN.	John Cromb,	W. M. Ross,	75,000
3263	First National Bank..... Independence, IOWA.	Rich'd Campbell,	Geo. B. Warne,	100,000
3264	First National Bank..... Ovid, MICH.	Robt. M. Steel,	H. N. Keys,	30,000
3265	First National Bank..... Harper, KAN.	Louis Walton,	Geo. D. Thompson,	50,000
3266	Palatka National Bank..... Palatka, FLA.	Jos. F. Dean,	Arthur J. Morton,	50,000
3267	Huron National Bank..... Huron, DAK.	Lewis W. Hazen,	John A. Fowler,	50,000
3268	First National Bank..... Maryville, MO.	Jos. Jackson,	John C. Terhune,	100,000

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from November No. page 393).

	Bank and Place.	Elected.	In place of
N. Y. CITY.	—Second National Bank....	Geo. Montague, <i>Pr.</i> .....	Jas. A. Trowbridge.
"	" Seventh Ward Nat'l B'k..	A. C. Downing, <i>Pr.</i> , <i>pro tem.</i>	Geo. Montague.
DAK....	First National Bank, Bismarck. }	Asa Fisher, <i>Pr.</i> .....	G. H. Fairchild.
"	" First National Bank, Canton....	G. H. Fairchild <i>Cas.</i> .....	W. A. Dillon.
"	" First Nat'l Bank, Valley City...	E. P. Brown, <i>Cas.</i> .....	M. Ward.
"	" First Nat'l Bank, Wyoming....	John Russell, <i>Pr.</i> .....	C. F. Kindred.
ILL....	Merchants' Nat'l B'k, Peoria...	Thad. S. Ely, <i>Ass't Cas.</i> .....	
"	" First Nat'l Bank, Petersburg...	Wm. C. Smoot, <i>Pr.</i> .....	John A. Brahm.*
"	" First Nat'l Bank, Wyoming....	Cyrus Bocock, <i>Cas.</i> .....	Jas. Hunter.
IND....	First National Bank, New Castle. }	E. B. Phillips, <i>Cas.</i> .....	R. M. Nixon.
"	"	Dr. W. F. Boor, <i>V. P., A. P.</i>	Wm. Murphey.
IOWA...	Farmers' Bank, Fontanelle....	W. Taylor, <i>Pr.</i> .....	R. E. Ewing.
"	" Garden Grove B'k, Garden Gr..	A. E. Jackson, <i>Cas.</i> .....	W. Taylor.
"	"	G. J. Woodbury, <i>Cas.</i> .....	J. F. Vail.
KAN....	Farm. & Merchants' Bank, Cawker City. }	U. G. Paris, <i>Pr.</i> .....	Alex. Parker.
"	" Morris Co. S. B., Council Grove.	F. M. Owen, <i>Cas.</i> .....	Geo. W. Mathews.
"	" Farmers' Bank, Winfield....	Lewis Mead, <i>Pr.</i> .....	Alfred Knowles.
"	" Bank of Wyandotte.....	Rob't Kerr, <i>Pr.</i> .....	W. L. Blair.
"	"	John A. Eaton, <i>Cas.</i> .....	O. C. Ewart.
"	"	D. R. Emmons, <i>Cas.</i> .....	A. H. Rogers.
MAINE..	Ticonic Nat'l Bank, Waterville.	D. R. Emmons, <i>Cas.</i> .....	A. H. Rogers.
MASS...	Ticonic Nat'l Bank, Waterville.	N. R. Boutelle, <i>Pr.</i> .....	S. Appleton.
"	" New England N. B., Boston....	Sam'l Atherton, <i>Pr.</i> .....	Thos. Lamb.
"	" Packard National Bank, Greenfield. }	R. A. Packard, <i>Pr.</i> .....	N. F. Henry.*
"	"	W. G. Packard, <i>Cas.</i> .....	R. A. Packard.
MICH. .	Seligsman B'k of Commerce, East Saginaw. }	Edw. H. Doyle, <i>Cas.</i> .....	W. M. Pulford.
"	" First Nat'l Bank, Menominee..	A. Spies, <i>V. Pr.</i> .....	
MISS...	First Nat'l Bank, Vicksburg....	S. T. Barnett, <i>V. Pr.</i> .....	
MO....	Citizens' Nat'l B., Kansas City.	J. J. Squier, <i>Pr.</i> .....	S. McWilliams.
MONT...	Bozeman National Bank, Bozeman. }	Thos. Lewis, <i>V. Pr.</i> .....	C. H. Cobb.
"	"	C. H. Cobb, <i>Cas.</i> .....	D. F. Sherman.
NEB....	Kearney Nat'l B'k, Kearney....	J. J. Bartlett, <i>V. Pr.</i> .....	
"	" Farm. & Merch. B'k, Scotia....	T. P. Lanigan, <i>Pr.</i> .....	D. C. Hall.
N. J....	National Bank of Rahway....	B. M. Price, <i>Pr.</i> .....	A. F. Shotwell.
N. MEX.	Socorro Co. Bank, Socorro....	W. D. Burlingame, <i>Cas.</i> .....	Geo. G. Stiles.
OHIO...	Quaker City N. B., Quaker City.	John R. Hall, <i>Cas.</i> .....	T. M. Johnson.
PENN...	First Nat'l Bank, Greensburg..	Jas. C. Clarke, <i>V. Pr.</i> .....	
"	" Lititz National Bank, Lititz....	Nath'l S. Wolle, <i>Cas.</i> .....	M. T. Huebener.*
"	" Commercial N. B., Pittsburgh.	J. A. Knox, <i>Actg. Cas.</i> .....	John D. Fraser.
"	" Citizens' Nat'l Bank, Warren..	Francis Henry, <i>Cas.</i> .....	A. G. Hertzel.*
"	" N. B. of West Chester Co., West Chester. }	I. Cary Carver, <i>Cas.</i> .....	P. F. Whitehead.*
R. I....	First National Bank, Warren..	Alfred B. Gardner, <i>Cas.</i> .....	Wm. P. Freeborn.*
VT....	Windsor Nat'l B'k., Windsor..	Ripley Clark, <i>V. Pr.</i> .....	
WYO...	Wyoming Nat'l B'k, Laramie..	Otto Gramm, <i>V. Pr.</i> .....	

\* Deceased.

THE TRANSFER OF STOCK.—A new work by Abbott Lawrence Lowell and Francis C. Lowell, on the *Transfer of Stock in Private Corporations*, is published by Little, Brown & Co., Boston. A description of the work may be found in our advertising supplement.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from November No., page 392.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
DAK....	Castalia.....	Charles Mix County Bank (Henry & Lucas).	....
" ..	Huron.....	Huron National Bank....	.....
" ..	\$50,000	Lewis W. Hazen, <i>Pr.</i>	John A. Fowler, <i>Cas.</i>
" ..	Park River.....	Park River Bank.....	Gilman, Son & Co.
		David H. Beecher, <i>Pr.</i>	Sidney Clarke, <i>Cas.</i>
FLA....	Palatka.....	Palatka National Bank....	.....
	\$50,000	Jos. F. Dean, <i>Pr.</i>	Arthur J. Morton, <i>Cas.</i>
IOWA .	Atlantic.....	M. N. Graves, B'k (M. N. Graves).	.....
" ..	Estherville.....	B'k of Estherville (Woods, Atkins & Co.)	.....
" ..	Independence.....	First National Bank.....	First National Bank.
	\$100,000	Rich'd Campbell, <i>Pr.</i>	Geo. B. Warne, <i>Cas.</i>
KAN....	Harper.....	First National Bank.....	Imp. & Traders' National Bank.
	\$50,000	Louis Walton, <i>Pr.</i>	G. D. Thompson, <i>Cas.</i>
" ..	Wayne.....	Bank of Wayne.... (M. S. Herring).	Kountze Bros.
MD....	Baltimore.....	Isaac F. Nicholson.....	Hallgarten & Co.
MICH..	Ovid.....	First National Bank.....	Fourth National Bank.
	\$30,000	Rob't M. Steel, <i>Pr.</i>	H. N. Keys, <i>Cas.</i>
MINN..	Crookston.....	Merchants' Nat'l B'k.....	Gilman, Son & Co.
	\$75,000	John Cromb, <i>Pr.</i>	W. M. Ross, <i>Cas.</i>
MO....	Maryville.....	First National Bank.....	.....
	\$100,000	Jos. Jackson, <i>Pr.</i>	John C. Terhune, <i>Cas.</i>
NEB....	Westerville.....	D. Heffleman.....	Kountze Bros.
N. MEX.	Springer.....	Springer Mercan. & Bkg. Co.	Kountze Bros.
OHIO..	Cleveland.....	Mercantile Nat'l Bank....	Imp. & Traders' National Bank.
	\$1,000,000	T. P. Handy, <i>Pr.</i>	Chas. L. Murphy, <i>Cas.</i>
" ..	Winchester.....	Winchester Bank.....	Lincoln National Bank.
	\$50,000	G. Baird, <i>Pr.</i>	L. J. Fenton, <i>Cas.</i>
TEX....	Lampasas.....	First National Bank.....	Chemical National Bank.
	\$50,000	A. H. Barnes, <i>Pr.</i>	F. R. Malone, <i>Cas.</i>
CANADA	Brampton.....	Central Bank of Canada..	Geo. S. Herchmer, <i>Mgr.</i>
" ..	Tottenham.....	Bank of Hamilton.....	John J. Cisco & Son.
		W. P. Robarts, <i>Agent.</i>	

"BANK DEPOSITORS' SAFETY ASSOCIATION."—The latest novelty in the direction of safeguards is indicated by the circular of an "association" under the above title. For the consideration of \$10 the first year, and \$5 for subsequent years, it proposes to ascertain when bank officers are living beyond their means, or are engaged in speculation which requires large amounts of money, and to warn its subscribers of danger in time.

If the mere existence of such an association could have the effect of a check upon reckless bank officials, it might justify its being. But to the unregenerate mind, the old Latin query suggests itself: "Who shall watch the watchman?"



## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from November No., page 394.)*

N. Y. CITY.....	Metropolitan N. B.; went into voluntary liquidation Nov. 18.
"  "  .....	Denslow, Easton & Herts; dissolved; new firms Denslow & Herts, and Easton, Nichols & Co.
"  "  .....	Morris, Brown & Co.; now Morris & Sons.
COL..... Rico.....	Rico Banking Co.; closing out business.
"  .. Rosita.....	Merchants & Miners' B'k (P. J. Sours); assigned to W. D. Schoolfield.
CONN... Bridgeport....	James Staples; now James Staples & Co.
DAK.... Bismarck.....	Merchants' N. B.; went into voluntary liquidation Oct. 28.
"  .. Oriska.....	B'k of Oriska (Perkins, Robbins & Co.); closing out business.
"  .. Watertown.....	Bank of Watertown; assigned.
ILL.... Canton.....	People's Bank (C. D. Hoblitt & Co.); failed.
"  .. Carlinville.....	First National Bank; gone into voluntary liquidation.
IND.... Indianapolis....	Citizens' Nat'l B'k; went into voluntary liquidation Nov. 11.
"  .. Washington....	Hyatt, Levings & Co.; suspended Nov. 18.
IOWA... Fairfield.....	Sam'l C. Farmer & Sons; suspended Nov. 12.
"  .. Independence..	First National Bank; went into voluntary liquidation.
"  .. Lynnville.....	Exchange Bank (Gauze, Macy & Co.); assigned.
KAN.... Harper.....	Thompson & Walton; now First National Bank.
MICH... Ovid.....	DeCamp, Upton & Co.; now First National Bank.
MINN... Crookston.....	Merchants' Bank; now Merchants' National Bank.
"  .. Minneapolis....	Manufacturers' N. B.; went into voluntary liquidation Nov. 1.
NEB.... Franklin.....	Fletcher & Way; now Austin & Way.
"  .. Liberty.....	Harden & Stewart; now Bank of Liberty.
N. H.... Portsmouth....	Portsmouth Trust & Guarantee Co.; assigned Nov. 17.
N. MEX. Springer.....	Porter & Clouthier; succeeded by Springer Mercantile & Banking Co.
N. Y.... Mount Vernon.	John M. Masterton & Co.; assigned Nov. 18.
OHIO... Cleveland.....	Merchants' Nat'l B'k; about to go into voluntary liquidation.
"  .. Uhrichsville....	Farm. & Merchants' National Bank; went into voluntary liquidation Nov. 10.
PENN... New Brighton..	Nat'l B'k of Beaver County; succeeded by National Bank of New Brighton.
TEX.  .. Dallas.....	Adams & Leonard; failed Nov. 20.
"  .. Lampasas.....	Geo. T. Malone & Co.; now First National Bank.
CANADA Duart.....	Dan'l Campbell; now D. Campbell & Co.
"  .. Minnedosa.....	Wallis, Ramsay & Co.; failed;

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BANKING BUSINESS WANTED.—A banker of successful experience wishes to buy a desirable banking business in some thriving town in Minnesota, Iowa, Kansas, Missouri, or Nebraska. An interest in a National bank with an official position preferred. Address "BEACH," Care *BANKER'S MAGAZINE*, N. Y.

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, NOVEMBER 1884.

Highest, Lowest and Closing Prices of Stocks and Bonds in November.				RAILROAD STOCKS.				MISCELLANEOUS.			
Interst.	Open.	High.	Low.	Close.	Open.	High.	Low.	Close.	Open.	High.	Low.
Period.	ing.	est.	est.	ing.	ing.	est.	est.	ing.	ing.	est.	est.
GOVERNMENTS.											
4 1/2, 1897 reg.	113 3/4	113 3/4	112 3/4	113 3/4	Denver and Rio Grande	9 1/2	8	9 1/2	Oregon Navigation	12 1/2	69
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	East Tenn., Va. & Ga. pref.	4 1/2	3 1/2	4 1/2	Oregon & Trans-Continental	14 1/2	14 1/2
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	6 1/2	6 1/2	6 1/2	Ohio Central	2 1/2	1 1/2
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Erie.	13 1/2	12	12	Pacific Mail	52 1/2	48 1/2
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	32	26 1/2	26 1/2	Philadelphia & Reading	52 1/2	50 1/2
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Homestead Mining	13 1/2	9 1/2	9 1/2	Phillman Palace Car Co.	112 1/2	108
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Houston & Texas	32	30	30	Peoria, Decatur & Evansville	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Illinois Central	121 1/2	112	112	Richmond & Danville	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Indiana, Bloom'g & Western	114	10	10	Richmond & Alleghany	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Louisville & Nashville	25	28	28	Richmond & West Point	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Louisville, N. Alb. & Chic.	66 3/4	63 1/2	63 1/2	Rochester & Pittsburgh	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Lake Shore	114	10	10	St. Louis & Alton and T. H. pref.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Lake Erie & Western	66 3/4	63 1/2	63 1/2	St. Louis & San Fran. pref.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Long Island	66 3/4	63 1/2	63 1/2	St. Paul, Minneap. & Man.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Michigan Central	54	54	54	Texas & Pacific	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mill. L. Sh. & West.	122	122	122	Union Pacific	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	Western Union Telegraph	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	Wabash Pacific	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Morris & Essex	122	122	122	Do. pref.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Missouri Pacific	122	122	122	Express-Adams	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Missouri, Kansas & Texas	122	122	122	American	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Manhattan Beach Co.	122	122	122	United States	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Manhattan Elevated	122	122	122	Wells-Fargo	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	Ches. & Ohio, series B.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	Denver & Rio Grande 1st.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	Lehigh & W. B. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	Metropolitan Elevated 1st.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	Mo., K. & Texas ad.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Mobile & Ohio	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Minneapolis & St. L.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Do.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 coup.	113 3/4	114 1/4	114 1/4	114 1/4	Do. pref.	122	122	122	N. Y. & T. con. as.	112 1/2	111
4 1/2, 1897 reg.	113 3/4	114 1/4	114 1/4	114 1/4	Metropolitan Elevated	122	122	122	N. Y. & T. con. as.	112 1/2	111

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of November has been a broken one in business circles, and both finance and trade have suffered from the breach. The culmination of the shortest, but most exciting, Presidential campaign known in many years, in the most intense excitement over the suspense and doubt in regard to the result, completely paralyzed business for the first half of the month. Croaking over this dullness of trade, and predicting dire calamities for the future, in consequence of the change in the head of the National administration, have occupied the larger part of the month. Near the close, however, these business ravens and false prophets have been without honor, even in their own party, for business in most branches began to improve, and where prices changed they generally advanced, not spasmodically or sharply, but gradually and without speculative activity or excitement, and the improvement both in prices and demand has been held. The steady undercurrent in both finance and trade surprised the Bears, who had become accustomed in the last year to look for a break to still lower prices after each rally. This tendency seemed to have been reversed, and each depression has met with renewed investment and short buying, followed by a recovery and a slight further advance again. The shorts, who had sold on the result of the election, becoming alarmed, came in to cover and take their losses before the markets should get away from them. This caused quite an advance in most of the speculative markets during the third week of the month. The last week was broken up by the National holiday, and a general observance of the same, which caused some realizing by the longs. Naturally prices eased off on this during the early part of Thanksgiving week. But in the latter part the decline was arrested again by striking this rock of investment demand that has been thrown up under the sea of speculation, forewarning the wreckers that it would not be safe hereafter for them to sail that sea in open boats with full sails, as they have been doing for two years. This investment demand, strangely enough, set in on the other side, and an advance in railroad stocks has been led by London, which has been a steady buyer at advancing prices for the last two weeks. Here is the strong feature of the situation, as Europe has been a seller of our securities for two years past, while our magnates of the stock market bought them and carried them on the enormous decline to sell them back to Europe now at almost bottom prices. This was the last source of recovery looked for in the stock market, while the men who have been looked to for its support were the last ones that were expected to sell at the bottom. This might argue weakness, that the men who manage our roads are willing to sell at these prices, and that Europe, which knows the least about their condition, is buying them, had not the latter sold during the past two years, when these same stocks were 40@50 per cent. higher and the former bought. Europe was right then, and our railroad magnates wrong, and they have paid dearly for their error, until

it may now be more necessity than willingness that induces them to part with their holdings. This is the interpretation put upon the situation on the street, and by our own careful investors, who are quietly picking up good dividend-paying stocks of honestly-managed roads, paying for them and taking them off the street before the January disbursements are seeking investments and prices go higher. Such is the situation. Men of both parties admit that there will be no changes in the National administration that are likely to affect values, except of the Pacific roads, which are delinquent to the Government. Prices of everything—except provisions and corn, which are not down to a new crop basis, and of real estate and rents, which are always the last things to come down after other things begin to go up and draw money out of the former—are all lower now than in 1877, when the recovery from our last depression began. Conditions now are almost identical with those of that year, and yet croakers then, as now, were talking of lower depths and no bottom to anything. They were then caught up in the whirlwind of recovery and dragged along with it, but they got no good out of it, because they would not believe it was permanent until it had spent itself. Then they went in on the top, and were as wild “No top” Bulls as they had been “No bottom” Bears, and they were left as badly on the down of the past three years as they were on the up of the previous four years. Confidence is, therefore, at the bottom of the better state of affairs, and it is that quiet confidence that acts and keeps still, as Samuel Tilden did in 1876-7, when he invested in pig iron at higher prices than present ones and waited till he doubled his money. Such men are doing the same thing to-day in both stocks and produce, and in manufactured goods, which are below even the present abnormally low cost of production. Money in such investments is absolutely safe, as it is only a question of time, and a year at the most, before production will have been curtailed, until prices advance, when there will be again a profit in manufacture.

Now is the time, therefore, for people who have money hoarded to take it out and get aboard the train for better times before it leaves and compels them to come on a later and slower one. Shrewd men see this now, and are getting on before everybody sees it and wants to get on in January. The same condition of affairs exists in the produce markets as shown above in the stock market. The Bears even say they dare not be short, with money so easy as now and gold still coming this way. With the recognized return of confidence, this idle money will find its way into investments, and with a higher rate of interest better times will be upon us, and both capital and labor find employment again at a profit. This demand for investments has been seen for two weeks in the greater activity in the bond market, until good bonds are difficult to find. There are many who have invested in cotton and wheat at these low prices. Others are buying manufactured goods that are too low. So soon, therefore, as demand for consumption begins to revive, it will be found that the supposed large stocks of produce and goods held in store are not on the market, but held for higher prices. Then mills will start to supply that increased demand, which will be still further increased by their giving employment to men now idle. This will start other allied trades, and before we know it the whole machinery of industry and trade will be in motion and actively employed.

All the conditions exist to-day that did in 1877 when our last recovery began.

Already our industrial situation is showing this in the starting up of iron and cotton mills that have been idle or on short time, and although wages have been reduced in many cases, low wages are far better than half time or none at all. Our export trade still lags, but it is never active just before the holidays, and we are doing as much as usual at this season of the year, with good prospects of a material increase after January settlements are made in Europe. Stocks of American and home-grown produce on the other side are lighter than usual. The continuance of the Trunk Line railroad war has favored a more free movement of our crops to the seaboard and helped somewhat to stimulate export trade. This war is the dark spot hanging over the stock market, and yet in the face of it we have had higher prices. When it is over, and the incubus removed, demand and prices should both improve. Its effect on stocks seems to be over. The great increase of failures for the month has been due to the interruption of business by election, which has rendered hitherto small and weak houses, who have to keep things moving in order to meet their bills, unable to realize, and they have had to suspend. But it has not been due to any new causes or losses, and hence there is little significance to be attached to what might otherwise appear an evidence of worse instead of better times ahead.

The improvement in cotton manufactures is due in part to shorter crop estimates and to an advance in raw material thereon. While in iron lower prices have ruled and these have largely stimulated the increased activity, yet this has been due as much to the rivalry of manufacturers to get the trade from each other as to the necessity to realize on stocks. The sales of steel rails at \$26 have been due to this, and the break from \$28 was useless. There have been sales of iron at lower prices also, and \$2 per ton off late prices is predicted in the trade. Yet numerous mills have started up with good orders reported for the winter.

Coffee has advanced sharply on the strength in Europe, which is comparatively bare of stock, and bullish, while stocks here are larger than usual and the trade holding back. Hence the advance of 50 points here in the last week of the month was mostly speculative, and may not hold unless the receipts at Rio de Janeiro fall off and stay light. The improvement in cotton has also been largely speculative, as stocks here were light, and shipments from the South going chiefly to Europe, which gave the opportunity to squeeze the shorts, and at the same time induce shipments to this market which is not getting its usual proportion of this crop. The petroleum speculation has been lifeless, as the trade were arrayed on the Bull side prepared for an advance from the break of a month ago, when the large new wells came in and broke the market. But their continuance made them timid, and they have waited for a decline in production before attempting to put up prices, as there was no public in the market, having been driven out by the constant "milking" of the crude market. These new wells are now declining, and the situation in the field is getting stronger. The speculation, however, is left to the professionals and room-traders in the New York Exchanges, which now control the crude market, instead of Oil City as it did a year ago.

The seeding of winter wheat in this country has been considerably less this fall than last owing to the low price of wheat, and the same tendency holds true of all wheat-growing countries, as the price in England is lower than for one hundred years, and if the United States cannot raise it at these prices Europe certainly cannot, if other countries can. The corn crop was cured in fine condition, and is estimated as the largest crop of the finest quality ever raised. This means a large hog crop, as plenty of corn makes plenty of hogs. Yet the first half of the winter's packing will not be large, as it pays better to feed corn at the present prices of hogs than to ship it. After January the receipts of hogs are expected to be larger and prices lower when stocks have accumulated. The prevalence of hog cholera in the Middle and Western States is hastening receipts somewhat to save the hogs, and this may give a larger December packing than expected, and hasten the decline in products. Whether this will have any effect in curtailing consumption yet remains to be seen. Europe is using its own supplies as yet, and has a good crop, and this cholera epidemic may prejudice her against our meats.

The minor markets have been generally steady and dull, but they are all on a healthy basis, and trade is improving where it is changed at all. Dry goods have done better for the past month, as the retail trade has increased and it is now beginning to be felt by the jobbers. But still it is dull, except in the clothing line, which is getting its winter trade now.

On the whole, therefore, considering that we are at the end of the year, and closing up a year of bad business, that has brought shrinkage and losses to everybody, things are in a very healthy, sound condition, with every prospect of a marked improvement after the new year is fairly under way.

The reports of the New York Clearing-houses returns compare as follows :

1884.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>	<i>Surplus.</i>
Nov. 1. . .	\$ 291,724,100 .	\$ 77,430,100 .	\$ 32,338,700 .	\$ 315,989,400 .	\$ 12,085,300 .	\$ 31,271,450
" 8... .	290,287,900 .	80,166,800 .	33,289,700 .	317,084,100 .	12,800,200 .	34,185,475
" 15... .	291,550,400 .	82,354,600 .	36,459,100 .	325,356,700 .	12,241,500 .	37,474,525
" 22... .	288,539,700 .	84,370,500 .	37,347,400 .	325,887,400 .	11,711,600 .	40,246,050
" 29... .	285,514,600 .	85,273,200 .	38,450,400 .	325,825,300 .	11,643,500 .	42,267,175

The Boston bank statement is as follows :

1884.	<i>Loans.</i>	<i>Specie.</i>	<i>Legal Tenders.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Nov. 1.....	\$ 140,753,100 ....	\$ 7,101,500 ....	\$ 5,789,300 ....	\$ 94,844,500 ....	\$ 23,782,400
" 8.....	142,066,500 ....	7,298,500 ....	5,850,900 ....	98,813,600 ....	23,560,000
" 15.....	142,544,800 ....	7,160,900 ....	6,432,900 ....	99,788,500 ....	23,564,200
" 22.....	143,190,000 ....	7,259,100 ....	6,517,300 ....	99,106,800 ....	23,435,500

The Clearing-house exhibit of the Philadelphia banks is as annexed :

1884.	<i>Loans.</i>	<i>Reserves.</i>	<i>Deposits.</i>	<i>Circulation.</i>
Nov. 1.....	\$ 73,835,950 ....	\$ 22,357,140 ....	\$ 70,168,441 ....	\$ 8,059,943
" 8.....	73,454,475 ....	22,659,888 ....	69,321,065 ....	7,954,869
" 15.....	73,322,857 ....	22,891,740 ....	70,209,744 ....	7,914,545
" 22.....	73,041,072 ....	22,711,752 ....	70,161,659 ....	7,919,241
" 29.....	72,602,524 ....	23,849,500 ....	71,261,577 ....	7,921,455

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows :

QUOTATIONS :	Nov. 3.	Nov. 10.	Nov. 17.	Nov. 24.
Discounts.....	5½@6 ..	5½@6 ..	5 @5½ ..	5 @5½ ..
Call Loans.....	2 @1½ ..	1½ ..	1½ ..	1½@1 ..
Treasury balances, coin.	\$ 128,493,010 ..	\$ 126,105,344 ..	\$ 125,895,069 ..	\$ 126,475,130 ..
Do. do. cur.	\$ 10,465,465 ..	\$ 8,975,038 ..	\$ 8,372,039 ..	\$ 10,012,236 ..

Sterling exchange has ranged during November at from 4.83@4.84¼ for bankers' sight, and 4.79@4.80¼ for 60 days. Paris—Francs, 521½@523½ for sight, and 525½@525 for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, 480½@480¾; bankers' sterling, sight, 484¼@485. Cable transfers, 485@485½. Paris—Bankers', 60 days, 525@524¾; sight, 522½@521¾. Antwerp—Commercial, 60 days, 528¾@528½. Reichmarks (4)—bankers' 60 days, 94¼@94¾; sight, 94¾@95. Guilders—bankers', 60 days, 39¾@39¾; sight, 40@40¼.

## DEATHS.

ADEE.—On November 21, aged eighty years, GEORGE T. ADEE, formerly Vice-President of the National Bank of Commerce, New York.

BUCKELEW.—On November 23, aged fifty-four years, ISAAC S. BUCKELEW, President of the First National Bank of Jamesburg, N. J.

HENRY.—On November 4, aged eighty-one years, NATHAN F. HENRY, President of the Packard National Bank, Greenfield, Mass.

HERTZEL.—On November 14, aged thirty years, A. G. HERTZEL, Cashier of the Citizens' National Bank, Warren, Penn.

HUEBENER.—On October 8, M. T. HUEBENER, Cashier of the Lititz National Bank, Lititz, Penn.

HUSTON.—On November 2, aged fifty-seven years, JOSEPH HUSTON, President of the Wood & Huston Bank, Marshall, Mo.

MOZIER.—On October 31, aged forty-three years, D. C. MOZIER, Cashier of the Morrow County National Bank, Mount Gilead, Ohio.

SCHENCK.—On November 16, aged seventy-three years, ULYSSES P. SCHENCK, President of the First National Bank, Vevay, Ind.

SEAGRAVE.—On November 15, aged sixty-two years, GEORGE SEAGRAVE, President of the Weybossett National Bank, Providence, R. I.

WEBER.—On November 9, aged sixty-four years, CHARLES WEBER, President of the German Bank of Baltimore, Md.

WHITEHEAD.—On October 14, aged forty-four, P. F. WHITEHEAD, Cashier of the National Bank of West Chester County, West Chester, Pa.

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AND  
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THE PUBLIC DOMAIN.

The Secretary of the Treasury states in his last report that the sales of public land for the last fiscal year amounted nearly to ten million dollars. These figures are full of meaning. They mean that a large number of persons, most of whom probably never owned land before, are now landowners. Twenty-six millions of acres were sold during the year. Supposing that each quarter of a section constitutes a farm, the increase has been more than 160,000 during the year. A small portion of the public land went to the railroads, but nearly all has been taken up by persons whose long dream has been a farm and a home of their own.

Dakota has been the principle center of attraction this year. Over eleven millions of acres have been sold to settlers in that territory during this period. The next largest number of acres has been sold in Nebraska, the total being three millions. In addition to lands thus occupied by settlers, the railroad companies owning land-grants have parted with a very considerable portion.

Nothing adds more to the perpetuity and security of our country than the permanent settlement of the land. A landholder is a conservative person. The security of France is to be found in the country, not in the city. The country population own the soil, they have a direct interest, therefore, in the maintenance of the Government, public economy, and peace. War is their enemy, and increased taxation is regarded with disfavor. In the cities all this is changed, the population having no interest in the soil, and no taxes to pay, are eager for a different state of things. Commotion and war and pub-



lic expenditure best suit their aims and interests. This truth is exemplified in our own country. The settlement of the land is a sure guarantee of prosperity, security and peace. The landowner does not wish to be disturbed. He does not wish to go to war or to have his taxes increased. It may be that he is not always so strongly in favor of public improvements as he ought to be, but he does not hesitate to support a well-ordered Government.

Within a few years companies have been formed for the purchase of vast quantities of the public domain. Individuals are also doing the same thing. Congress cannot act too quickly to prevent this acquisition of any considerable portion of land by a single individual or corporation. One easy method of prevention is to increase the rate of taxation on all tracts of land owned by individuals or corporations exceeding a certain number of acres. Congress should jealously guard the landowner and prevent the consolidation of the little farms into great estates such as are now seen in Great Britain, which, though beautiful to the eye, may prove in the end the ruin of England herself.

The bottom difficulty of the Irish question is, that the landowner and land-occupier is not the same person. There never can be peace for Ireland until the land-occupier is the landowner. Moreover, if the great landed estates in Great Britain are not divided peaceably after making due compensation to the owners, the Irish difficulty will surely spread to English soil. The only way to prevent an English question of the same character as the Irish question, only more vehement, more vexatious, and more disastrous in the end, is for Parliament to undertake the work suggested by John Stuart Mill, when a member of that body, to purchase the lands at a fair price from their present owners, and divide them up and sell them in small parcels to whoever might want them. It is a cause for rejoicing that we have so large and goodly an inheritance. Congress cannot act too soon to protect it for the present generation and for future ones. Already has that estate been sadly impaired in some places by disafforesting it. This evil should go no further. Laws should be made to regulate the cutting down of the trees, similar in their nature and operation to those existing in some countries of Europe. So too, we repeat, should Congress jealously guard against the creation of enormous landed estates. By doing these things that body would deserve well of the country. The public domain is our best and greatest source of wealth and happiness, and Congress should promptly act in taking all needful steps to preserve its value.

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## BANK EXAMINATIONS.

The Comptroller of the Currency, in his excellent report, has made some very timely remarks on the subject of bank examinations. An account is given of the instructions under which examiners act, how they are conducted, and their worth. He says that it has been customary from the beginning of the National banking system to have regularly appointed examiners visit each bank at least once a year, and in many cases much more frequently. The first general instructions to examiners were prepared and issued by the present Secretary of the Treasury. These have been revised from time to time. Statutory enactments have been made, but most of the regulations guiding examiners have been prepared by the Comptroller of the Currency, and are the direct outgrowth of experience.

The Comptroller states further that this official inquiry into the affairs of National banks does not end with the mere inspection of the cash, bills receivable, books, and accounts of the association, but extends to a scrutiny of the business transacted. The investigation also covers the standing of persons employed by it, besides ascertaining, so far as possible, the nature of the loans of the bank, and the losses, if any, that have been, or are likely to be sustained.

The examiner is also instructed to ascertain how frequently the board of directors meet together to consult in relation to the affairs of the bank, and to discover, if possible, any malfeasance in office or willful neglect of business on the part of the management; and is, moreover, particularly instructed to report to the Comptroller whether any excessive accommodations are granted, and to note if the officers of the bank are borrowing largely from the association; to ascertain the customary state of the lawful money reserve by examining the daily statements for some time previous to the examination; whether or not the bank borrows money to loan again; and, in short, to discover and report to this office all violations of law of whatever character.

The reports of the examiners are sent to the Comptroller, who carefully reviews them, and if any cases of violation of the law are found, the directors of the bank are immediately informed, and required to correct the same. The general public, says the Comptroller, does not understand the amount of labor performed by the examiners of National banks. Notwithstanding their vigorous inspection and vigilance, no laws or system of examination will prevent dishonest men from keeping false accounts and rendering untrue statements, and sometimes from concealing evidences of their fraud. "The surest preventive," he says "is to have honest, active and competent boards of directors. A rogue or dishonest man who ac-

quires the confidence of his associates to such an extent that he can appropriate the funds of the bank to his own uses, without the knowledge of the board of directors, can have but little trouble in deceiving an examiner and of hiding his speculations from him." These remarks, and others which follow, have led many newspapers to conclude that bank examinations are worthless. Indeed some of them have not hesitated to express the opinion that depositors would be safer against fraud if these examinations were not made, because in that event, they would look out for themselves. Now, it is said, bank examinations lull depositors and stockholders to sleep. If abolished, they would exercise greater vigilance. Those who utter these criticisms have but little or no knowledge of the nature of the banking business. Nothing is easier than to criticize, especially if the critic does not know much about the nature of the thing criticized. Financial critics have always been numerous, yet, doubtless, most of them have had only the crudest ideas concerning finance. Many of the newspaper critics who find fault with bank examinations do not know what a bank really is. If they did know, they would not manifest such an apostolic readiness to exhort and rebuke.

Though the business of banking is a very simple one, that of receiving, paying and loaning money, yet a large institution has many accounts, handles an enormous sum of money, and presents many temptations to the wrongly-inclined, while detection, even in the best organized and carefully-guarded banks, is not always easy. For it must be remembered, that beside the bank examinations, every well-organized bank is continually examining on its own account, and devising ways of preventing fraud. Bank examinations are in reality supplemental to those conducted by the banks themselves. If the former were abolished, it is doubtful whether the banks would be more vigilant than they are now, for they exercise all the care and wisdom born of long experience. But the truth is, the very nature of the business itself is one of confidence which cannot by any possibility be eliminated. It may be narrowed somewhat, but when a man deposits his money with a bank, he reposes confidence therein, that in due time and on proper demand it will be returned to him. No system of banking can possibly be devised to change that element of faith into anything else. Thus placed, it will sometimes be abused, and the only way to guard effectually against it is not to organize and maintain a bank at all.

The fact, however, should not be forgotten, that the bank failures are very few in comparison with the total number of banks, and the losses are comparatively slight considering the vast amount entrusted to their care. There are nearly twenty-seven hundred National banks in our country. The loans and discounts are more

than \$1,200,000,000. Yet during the year ending November 1st, 1884, only eleven National banks have failed, while more than one hundred other banks and bankers have failed during the same period. Considering the amount of money handled by them and other persons and business corporations, the record of banking, with respect to honesty, is a good one. Of course, every man ought to be honest, yet when all the surroundings and temptations are considered, it is just to say that the National banks have as fair a record as any other class of business institutions in existence.

The newspaper critics, we repeat, who denounce bank examinations have little or no idea of a bank. Suppose, for example, that a bank examiner should attempt to investigate the affairs of any large National bank. There are certain things which he can find out without very much difficulty. He can find out, for instance, whether the actual cash on hand corresponds with the record of same. But suppose he wishes to find out whether that provision of the law which forbids a bank loaning more than ten per cent. of its capital to any depositor has been observed. How must he proceed? He calls for the statement of loans, and the notes discounted. The record and notes may show that the law has not been violated, and yet nothing is easier than to violate it, for if the bank were desirous of doing so, it could put the discounts under fictitious names, and the bank examiner would not know unless he went to the trouble of summoning before him or making inquiries of every borrower as to the exact sums borrowed. That would be the only way to find out whether the bank actually loaned to the persons, and the amounts represented by its books. But this task would be an exceedingly difficult one.

Several years ago a bank examiner in the West suspected that the cashier of a certain bank was managing it in an irregular manner, and he visited it frequently and unexpectedly, yet was unable to detect any irregularity. Again and again he visited the institution, and was unable to detect the slightest trace of fraud. Finally, one evening, despairing of ever finding out anything, but believing that the cashier was dishonest, he called an assistant of the bank into his room and informed him of his suspicion. He told the assistant that he was unable to detect any fraud, yet confidently believed that it existed, and further added that if, after this warning, fraud did exist and was finally discovered, he would suffer unless he now told the examiner about it. Moved by this sharp representation of the situation, the assistant acknowledged that the cashier was conducting the affairs of the bank irregularly, and then explained his mode of doing it. It was very simple. It consisted simply of writing on the depositors' book the exact amounts deposited, but entering on the bank books a smaller amount. This was done in the cases of such depositors as suited the purposes of

the cashier, and as the number was not large, the cashier could easily, by means of a private book of his own, keep a true account of the fraudulent and real transactions. Whenever a depositor, for example, wished to close his account the cashier would give him the true amount, and would forthwith change the account of some other depositor, and thus the fraud was successfully carried on for several years. Now, if the examiner had summoned the depositors of the bank and compared their books with the bank books, of course the fraud would have been exposed, but to do this would have been a slow task. This illustration ought to suffice to show the difficulties attending a bank examination; the practical impossibility of ever making a bank examination complete. All that a bank examiner can do is to make searches in certain directions and inquiries, and in conducting these, if any fraud or error exists, he may find it. And he is just as apt to find it as to miss it; but, as the Comptroller remarks, if a bank officer endeavors to perpetrate a fraud, and has behind him a board of directors who are figure-heads, or who pay little attention to the affairs of the bank, it is quite easy for him to succeed in his purpose.

We trust that our newspaper brethren will not complain if they have been put under a short fire of criticism. They must write something, and criticism is perhaps the easiest thing in which they can indulge. In many cases, doubtless, it is harmless, but we fear that their criticism in this direction is likely to do harm, to keep people awake o' nights, and to prevent them from listening with accustomed ease to the Sunday sermon. Now, suppose we should retort on the newspapers, and say that, inasmuch as your concatenations on bank examinations show that you know nothing about banks, therefore it would be well to do away with newspapers, would not our remark be quite as deserving of consideration as yours concerning the wisdom of doing away with bank examinations? It is admitted that banks are not perfect, and cannot be. While we are in our present evil state as individuals, the banks will be imperfect too. Carlyle says, somewhere, "Given a set of knaves to produce a united honesty of action." Now a bank, after all, is only an organization of men, and is it to be supposed that the men thus united are to conduct themselves in a very much better way than they would if acting singly? The character of banks, so to speak, averages well, but as for always minding their own business and abstaining wholly from wrong, that cannot be expected rationally of them until men become thoroughly regenerated. To maintain, therefore, that because bank examinations are imperfect, they should be abolished, is quite as foolish as to conclude that because newspapers make blunders daily they should cease to exist. They are of some account, notwithstanding their blunders. They would be worth far more to us if their blunders were fewer.

Newspapers are not perfect, nor is perfection expected of them; yet we should be thankful for what we have, and perhaps rejoice because they are no worse.

We are more inclined to indulge in this short lecture to the newspaper fraternity because we have endeavored to instruct them before on this subject, and yet they retain all their original hardness of heart. They manifest great reluctance to see the light. Of course there are many exceptions. It is to be sincerely hoped that the erring ones will endeavor to find out more carefully what a bank is before continuing their senseless criticisms on bank examinations. Of nothing are we surer than that, if they knew more about these institutions, their criticisms would display greater intelligence and less harshness.

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## GOVERNMENT ESTIMATES AND APPROPRIATIONS.

A law of Congress provides that the heads of the several executive departments shall furnish to the Secretary of the Treasury by the first of October each year their annual estimates for the public service, which are included in the book of estimates prepared by law under his direction. This book is transmitted to Congress at the beginning of each session. Although the law is a good one, it is in some respects disregarded. The practice has grown of not completing the estimates by the time named and of sending in supplemental ones to the Appropriation Committee at a later period. In order for a committee to act intelligently in recommending appropriations it should have a full knowledge at the outset of the entire requirements of the several departments. If, however, the practice of sending in supplemental estimates be continued, it is quite evident that the committees when considering the original estimates are acting more or less in the dark. This neglect on the part of the several departments had become so annoying, that Congress last year inserted in the deficiency appropriation bill, a provision to the effect that thereafter all estimates for appropriations and all deficiencies therein, intended for the consideration of committees of Congress, should be transmitted to Congress through the Secretary of the Treasury and in no other manner, and that he should first cause the same to be properly classified, compiled, indexed and printed under the supervision of the Chief of Warrants and Estimates. This was a needful and judicious reminder to the departments to conform their action to the requirements of the law as stated in the beginning. We can readily understand the annoyance and difficulties of an Appropriation Committee in proceeding without a full knowledge of the situation of the several departments.

One other change, in our judgment, merits the consideration of Congress. It has been the practice for many years to refer all recommendations for appropriations to the Appropriation Committee, which has reported whenever it saw fit. Generally, the most important bills are reported shortly before the close of a session and when only a very brief space of time is left for their consideration. The consequence is that the bills are hurried through without proper examination, relying on the faith of the Committee that they are all right. The Appropriation Committee acts on the theory of reporting the bills from time to time during a lull of other business, and thus fitting them into the legislation of the session with the greatest economy of time. The practice, however, as just remarked, is very different. The Committee retains these bills until pretty nearly the last moment, and then reports them and rushes them through the House. The Senate lingers a little longer over them, but their consideration even by that body is very hasty and imperfect.

Would it not be well to require these appropriation bills to be reported, say after thirty days from the beginning of the session, and to have precedence over all other bills until they receive the sanction of the two houses? If such a rule were adopted, the first thirty days would be free to devote to any measures of pressing necessity, and after the disposition of these, the appropriation bills would be taken up and duly considered and passed. Thirty days ought to be sufficient time to prepare appropriation bills, and having reported them, their consideration would then proceed in an orderly and regular manner. If such a method existed, all the items would be considered with much greater care than they are now. The Government has such abundant resources that appropriations are often made with little thought, but the good of the country requires that the expenditure of the National income should be made in a more intelligent and considerate manner. Now, if these appropriation bills had precedence over all other measures, they would be considered by Congress with that care which their nature demands. The whole country would become rapidly educated to the nature of these bills. The items would be carefully scanned by the press and the people. Copies of these bills would be distributed widely, individuals would have abundant opportunity to study them, and the result of the study and scanning of these bills would be the discovery of some at least of the many manifold jobs in them, and their elimination and the saving of millions of money. This suggestion we respectfully recommend to the consideration of our legislators. The great question of the future with respect to our National legislation is the wise and honest expenditure of the National income. No subject is of greater importance. The economical expenditure of it is required by every motive of honesty and prudence. To institute a rule of this kind would redound to the public good and yield no harm to any public interest.

## AMERICAN SHIPPING AND THE SOUTH AMERICAN TRADE.

The Secretary of the Treasury, in his recent report, has some recommendations of great interest concerning American shipping. Although a stout free-trader and disbeliever in subsidies, he is inclined to make an exception in favor of American shipping, and without expressly stating in what manner the offer should be granted, is, nevertheless, clearly of the opinion that Congress ought to do something in the way of a money remuneration to stimulate our shipping interest. It is well known that foreign nations, for a long period, have granted bounties to ship-owners. Although our country is clearly committed to the doctrine of protection to those who toil on land, it has been very slow to extend this doctrine to those who navigate the sea. Public interest in this matter has been divided without reasoning. We will not maintain that it is just as important to build ships and to employ them as it is to stimulate the increase of factories. It is, nevertheless, exceedingly important to have lines of communication with other parts of the world. It is hardly worth while to state the reasons why American shipping has fallen to so low a point. The vital question is whether the time has not come to increase their number, and to follow the policy of other nations by opening lines of communication with other parts of the world, especially South America.

First of all we cannot succeed in establishing such lines without Government assistance. The amount of tonnage now in existence is so great that a purely private contest with foreign shipholders would be utterly hopeless. It is said that nearly twenty-five per cent. of the British shipping is at present idle. Within a few years the ocean tramp has appeared, roaming all over the world in quest of freight. Running irregularly, and under no obligation to make time, it can navigate the sea at the best possible advantage, and consequently can take freight at low prices. It is a serious enemy to all established lines. Of course there are many shippers who must depend upon the regular lines, whose freight must go forward without delay, but there is a vast quantity of goods which can be transported within quite lengthy periods of time. All such trade the ocean tramp can control. In view of its existence and persistence, the establishment of regular lines of communication has become a more serious thing than ever, and individuals in this country may well pause before investing money in such an experiment. It would seem clear therefore that our sails are not likely to shadow the sea more frequently than in the past, unless the Government shall do something for the shipowner.



The lines of communication most worthy of attention are with several ports in South America. We cannot hope to create a trade with the people of those regions unless we have regularly established lines of communication with them. We cannot depend on foreigners to do this work for us. If the links of communication shall not be forged by ourselves it is hardly worth while to have any at all. The deduction, therefore, is clear that the Government must do something in the way of a bounty or otherwise, or else all hope of cultivating a South American trade of any considerable value is groundless. This fact is so obvious that even the Secretary of the Treasury recommends Government assistance. We trust that his recommendation will not go unheeded. It would be an enduring mark of the present session of Congress to make an adequate and rational appropriation for the establishment of a line of communication with South America. We believe that the time has fully come when that body can make an appropriation of this kind with the hearty approval of the people.

With respect to the creation of a South American trade in the event of the establishment of a line of communication, that can be left to our enterprising merchants and manufacturers. Of course many things must be done to insure the success of such trade. First of all it would be necessary to find out what goods are wanted by the people of those distant countries, and, secondly, to supply them on such terms as would tempt purchasers. The goods sent by English merchants are bought on long credit. A warehouseman, for example, will buy cottons of a manufacturer and prepare them properly for the South American trade; then they are sent to that country and sold on long credit, and in due time payment is made. Mr. Edward Atkinson some time ago explained in a letter to Mr. Nimmo, the Chief of the Bureau of Statistics, how the English trade with South America is conducted, and it will interest our readers to give a short extract from his letter:

When this middleman buys cotton goods, for example, he buys them "in the gray," and then causes them to be specially prepared for the market for which they are destined—"to be bleached, printed, or otherwise prepared for each particular district or market in South America, packs them according to the exact section to which they are to be sent, in small packages suitable for muleback, if they are to be carried into the heart of the Andes, makes his arrangements to ship them by one of the daily steamers to South America, then takes his bill of lading, ear-marked with the designating marks and number of packages, with the invoice attached, to a banker, and gets his bill discounted on four or six months, with the expectation of renewal for four or six months longer if necessary, and the cash or proceeds of our wheat, cotton, and oil which we have remitted for our South American purchases forms a part of the deposit of this very banker, on the basis of which he is enabled to grant this credit.

But this would not suffice. These goods are carried to the interior of South America, to great fairs, to interior towns, and to va-

rious points of distribution, and are there practically bartered for whatever the people, who have no money, but who have other commodities, have to sell. These other commodities, whatever they may be—wool, hides, ores, nitrates, or anything else—being freely admitted into Great Britain for the purposes of distribution wherever they are needed, therefore come back to England to be sold, and out of their sale the warehouseman ultimately recovers his money, and pays up his credit granted by the banker in London. London, being a great free port, has become, of necessity, the money center, or credit center, of the world.

This mode of trading is by no means so peculiar that our merchants and manufacturers cannot carry it on. The conditions of success, though difficult, are not insurmountable. The capital of our country is sufficient to warrant a greater extension of credit, and it is to be presumed that our traders and manufacturers can become just as skilled in trade with South America as those who are now conducting it living in Great Britain and other countries. If the lines of communication were established, we hopefully believe that the manufacturers and traders would not be slow to take advantage of the fact, and thus work off their surplus products. In this particular juncture, when prices are low and declining, when a large surplus exists in almost every branch of trade, when mills are idle and with poor prospects before them, this question of opening up new markets is one of pressing importance which should not be overlooked, notwithstanding the shortness of the session.

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### FINANCIAL FACTS AND OPINIONS.

The Comptroller of the Currency states that if none of the 2,664 National banks in operation October 1, 1884, had on deposit in the United States Treasury, as the basis of circulation, any more bonds than the law of 1882 compels them to deposit, the total amount of the bonds used for currency purposes would be only \$80,443,127. This statement affords grounds for believing that there may be no diminution of either the numbers or the capital of the National banks, if the amount of bonds in existence is reduced to a small figure. It is well known that with the small income which bonds yield at their present market prices, there is no profit in using them as the basis of circulation, and that the expectation of such a profit forms no appreciable part of inducements to the formation or continuance of National banks. In some of the States there are no general laws for the establishment of stock banks with a limited liability of shareholders, and in such States it is only under the National law that such institutions are possible. In all the States confidence is inspired by the fact of an organization under the National law, with the assurance which it gives of sub-

mission to the important checks and guards provided in that law. It may, therefore, be reasonably expected that, although the continual reduction of the public debt must contract the circulation of the National banks, it will not for many years deprive the country of the other benefits of the system. This is the view taken by the Comptroller. It seems to be a sound one, and it is confirmed by the fact that the National banks, with scarcely an exception, are applying for an extension of their charters as they successively expire.

The amount and description of United States bonds deposited for bank-note circulation were as follows at the dates mentioned:

	November 22.		December 13.
6s.....	\$ 3,519,000	....	\$ 3,519,000
4½s.....	50,131,250	....	49,098,650
4s.....	117,208,450	....	118,412,400
3s.....	149,789,500	....	148,265,500
	<u>\$ 320,648,200</u>		<u>\$ 319,295,550</u>

The annual report of the new Secretary of the Treasury, Mr. McCulloch, bears the date of December 1, 1884, but was printed some days previously, and must have been written some little time before it was printed. If he had had before him the actual results for the month of November, showing a revenue deficiency of three-quarters of a million of dollars below the expenditures, he would hardly have estimated that for the whole of the current fiscal year the revenues would meet all expenditures, and, in addition, furnish the \$47,620,201 required this year for the sinking fund, and a surplus of \$39,379,798, thus promising a decrease of the net public debt by the sum of \$86,999,999. If Mr. McCulloch could have deferred his report to the present time he would have been still less likely to have made an estimate so sanguine.

Mr. McCulloch thinks the customs revenue of this year will be \$185,000,000, or a falling off from last year of only \$10,000,000. The indications now are that the falling off will, in fact, be very much greater, and that is the pretty unanimous opinion of the commercial public at the present time. It is quite evident, we think, that Mr. McCulloch underrates the intensity and probable duration of the depression now existing in prices and in foreign and domestic trade. While he puts down the customs revenue for the next fiscal year at the same figure, \$185,000,000, which he estimates for this year, he says, in respect to the "depression in business," that "we may fairly hope it will not long continue," and, indeed, that "it seems safe to assume," that there will be such an expansion of imports next year as to produce as much revenue as they yielded last year. These opinions of Mr. McCulloch are entitled to respectful consideration, and they may prove to be true, but we still think that there is danger that the customs revenue will continue to dwindle for at least two or three years to come, and that it may not improbably fall very nearly to \$132,892,407, which was its an-

nual average during the three years ending June 30, 1879. The times are critical, and it appears somewhat rash to meddle just now with the revenues in the direction of reducing them. We can well afford to wait till the new Congress assembles next winter, and when we shall know better from another year's experience what the final and full effect is to be of the commercial prostration which is now sweeping over the whole world, and which is not more severe in this country than it is everywhere else.

In all Mr. McCulloch's estimates for this year and next, he takes no account of the new expenditures which may be ordered by Congress. But it is nevertheless true that bills already passed by the Senate, and now pending in the House, in respect to education and pensions, call for an enormous amount of money, the limits of which, as respects pensions, nobody undertakes to compute with any approximation to accuracy. It is also true that great projects of harbor defences and a cruising navy are supported in powerful quarters. And it is also true that a treaty is pending looking to the construction of an American canal through Nicaragua, into which everybody knows that private investors will not put a single dollar, and the total cost of which must be met, if it is met at all, by cash from the United States Treasury, it being absolutely certain that the country will not permit the public credit to be used in such an enterprise in any form by either issuing or indorsing bonds, or by guaranteeing the interest on bonds. Taking into account all these possible, and some of them probable, drains upon the public resources, it seems to be a plain dictate of common prudence that our revenues should be most carefully husbanded.

In the early part of December, the belief prevailed in Europe, that the recommendation of the President and Secretary of the Treasury, that the coinage of silver dollars in this country should be stopped, would be accepted by Congress. The London *Economist* of December 6, expressed the opinion that the disposition to give up silver "had been maturing rapidly" in the United States, and that while Secretary McCulloch's proposed reductions of the tariff and internal taxes were not likely to be agreed to, his ideas in relation to silver would probably be adopted.

During the last fiscal year ending June 30, 1884, our total imports of merchandise were \$667,697,693, of which only \$15,548,757 were re-exported. In the same year our exports of domestic merchandise were \$724,964,852. Of the exports of merchandise from Great Britain, about one-fifth, on an average, consists of re-exports of goods imported from foreign countries and from its colonies. During the Napoleonic wars this country, as a consequence of its neutral position, enjoyed an immense commerce in the way of importing goods from one class of foreign countries and re-exporting them to another. In each of the years 1805-6-7-8 our re-exports of for-

oreign merchandise exceeded our exports of domestic merchandise as follows:

	<i>Domestic Exports.</i>		<i>Exports of Foreign Goods.</i>
1805.....	\$42,387,002	....	\$53,179,019
1806.....	41,253,727	....	60,283,236
1807.....	48,699,592	....	59,643,558
1808 (year of embargo)..	9,433,546	....	12,997,414

It is stated by an official of the Philadelphia International Steamship Company that the four American-built ocean steamers recently purchased by it can be run at an annual saving of \$12,000 on each, by placing them under the British flag and being thereby enabled to ship their seamen at the lower rates in European ports. This proves, what those who understand the subject have long known, that the difficulty in American competition with European ocean steamships is mainly in the extra cost of running American ships, and would not be remedied by admitting foreign-built steamers to American registration. While such an admission would break down our shipbuilding interest, which is essential to naval strength and National independence, it would accomplish nothing towards causing the American flag to float over foreign-built ships, even if that were a desirable thing to accomplish, which it is not.

During the year 1883 the aggregate foreign commerce of Mexico, Central America, South America, and the West India Islands, consisted of \$589,947,000 of exports, of which \$191,659,000 was to the United States, and of \$470,300,000 of imports, of which \$82,174,000 was from the United States. They buy of us less than half as much as they sell to us, although we admit duty free a good deal of what they send to us, notably coffee and hides. This case proves that foreign nations are not induced to buy of us, either because we buy of them, or because we exempt their products from import duties. The chief customer for our exports is Europe, to which we sell a good deal more than we buy, and the imports from which we tax heavily.

During the five years ending June 30, 1884, our silver imports from Mexico consisted of \$11,473,846 of bullion, \$624,202 of American coin, and \$32,987,897 of Mexican dollars.

The clearings of the Paris bankers' Clearing-house, which amounted during November, 1883, to 425,589,263 francs, fell in November, 1884, to 313,317,181 francs. The shrinkage in the prices of commodities and depression in trade extend to all parts of the world.

The London *Economist* finds consolation for the British farmers in the fact that, comparing 1883 with 1864, it is only wheat and barley which have fallen in price, while beef and mutton have largely risen, and butter and cheese have undergone no substantial variation. The moral which it draws is that the farmers should cut down their wheat and barley crops, and attend more to dairying and to raising cattle and sheep. The *Economist* does not show that during the three or four years which cover the fall in wheat

and barley, it has been in any degree offset by a rise in beef and mutton. It finds lower prices for those articles by going back nineteen years, and it could doubtless have found still lower prices by going back one hundred years. It is not possible by such methods to shake the fact that the profits derivable from British agriculture have been sensibly reduced by the recent fall in the price of wheat. The decline in the rents obtainable for British farming lands, and in the prices for which they can be sold, shows conclusively what has happened. Recent actual sales indicate a fall of from thirty to fifty per cent. as compared with ten years ago, and a late number of the *London Echo* says that "it is next door to an impossibility now to get a purchaser for a large estate." Similar accounts come from Holland, France, and indeed from all parts of Western Europe. The dominating fact of the situation is, that the fall in ocean freights, which is permanent so far as it is the result of improvements in navigation, has practically shortened the distance between Europe and vast regions of cheap and fertile land, the cultivation of which is stimulated by the easier accessibility of European markets. The effect of cheapened ocean transportation upon the agriculture of Western Europe, is precisely like the effect upon the agriculture of our Atlantic States of reduced railroad freight from the West.

Facts are constantly reported from England which show the great fall which has taken place in the selling price of its agricultural lands. An estate in Devonshire of 420 acres was recently sold for £8,000, for which £18,000 was refused a few years ago.

In a letter from Vienna, published in the *London Economist* of November 15, it is stated that the financiers of Vienna agree that, if the project of a gold standard in Austro-Hungary is carried out, it must be upon the basis of making the proposed gold florins of such a weight that their bullion value will be the same as the present bullion value of the silver florin. By making a new gold florin of the same value as the present silver florin, it is expected to avoid increasing the burden of existing debts and especially of the enormous public debt of Austro-Hungary.

The following table shows the increase of cotton mills in British India in five years:

	— Year ending March 31. —		
	1878.	1883.	1884.
Cotton mills. .	53	62	74
Looms.....	10,533	14,882	16,300
Spindles.....	1,289,760	1,583,782	1,870,284

Within the same five years the export from India of cotton twist and yarns was increased from 25,862,500 to 49,876,600 pounds, and of cotton piece goods from 25,800,500 to 55,613,800 yards. If as good cotton could be raised there as in this country, there would seem to be nothing to prevent India from supplying the entire cot-

ton cloth consumption of Eastern Asia and Eastern Africa. In the cheapness, docility, and abundance of its labor it has no rival in the world, unless it may be China, over which it has the advantage of an unlimited access to British capital. English cotton manufacturers will go to any place which promises profits, and they are still within the British Empire when they go to India.

During the five years ending with 1883 the official returns of Egyptian commerce show a gold importation of \$79,997,755, and a gold exportation of \$19,931,875. This makes an apparent net import of \$61,065,870, but a letter from Alexandria, printed in the *L'Economiste Français* of November 1, 1884, says that this was diminished \$7,500,000 on account of gold sent to the Soudan for military and commercial purposes, and by a like sum carried out of the country by travelers and merchants and not recorded at the custom houses. The writer of the letter referred to says that the actual net import of gold, whatever its exact figure may be, is used up partly in the fabrication of ornaments, but mainly in hoardings by the peasantry of the country, who are described as burying their money in the ground as the only place of safety, and especially from Government exactions.

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### RECIPROCITY TREATIES.

In the British House of Commons, November 10, the Ministry announced that they had proposed to this country the admission of "certain articles" from the United States duty free into the British West Indies, if we would admit British West India sugar on the same terms, but that it was in no event contemplated that American imports into the West Indies should have any preference over similar articles imported from Great Britain. Whether the admission into a West Indian island of articles duty free under such circumstances would be of any particular advantage to us, depends upon what the articles are. As to flour, provisions, petroleum, lumber, &c., the admission on the same terms of similar British productions would be of no consequence, but as to manufactures of nearly all kinds the case would be entirely different. We have the privilege already of competing with Great Britain on equal terms, not only in all foreign countries, but in all the British colonies and dependencies, and there is no reason why we should pay the high price of remitting our duties on the sugar of the British West Indies, for the right we already possess of selling them manufactured goods on the same terms which they accord to Great Britain.

A treaty has recently been negotiated with Spain, providing for the admission into this country of the products of the Spanish

West Indies, notably sugar, free of duty, or at reduced rates of duty. The consideration for this is to be the admission into those islands of certain articles from this country free of duty, or at reduced rates of duty. It is understood that these exemptions from duty or reductions are not to be enjoyed by us exclusively, but are to be shared by Spain, and may be granted to other nations on the same terms.

We have already referred to the statement, of which, as yet, we have seen no contradiction, that Mexico assumes itself to be entitled to admit the goods of any nation on the same terms stipulated in our favor in the Reciprocity Treaty with this country, which the United States Senate ratified last winter. The law necessary to give effect to that treaty has not yet been passed by the House.

The Grant administration, near its close, negotiated a Reciprocity Treaty affecting our trade with Canada. The idea at the basis of this Treaty was the admission into this country of the raw products of our Northern neighbors without duties, or at lowered duties, in consideration of their extending similar favors to some of our manufactures. The Senate refused to consider the treaty, upon the discovery that British manufactures were to be admitted upon whatever favorable terms might be granted to us, which was rightly considered to make the stipulation in our favor of little or no value.

Unless some limits are imposed upon this business of negotiating trade reciprocity treaties, there will be very little left of the constitutional power of Congress over our systems of revenue and protection. Fussy diplomatic agents, who always have the motives of personal vanity and ambition urging them to connect their names with affairs of some kind, will be continually negotiating treaties, and the probabilities are that they will generally be injurious to this country. From the nature of the case, they are secretly arranged, and with no light thrown upon them by open and public discussion. It is clearly dangerous to permit our tariff and revenue laws to be tampered with in this way by half-a-dozen persons, more or less, who happen to occupy positions in the State Department, or in foreign missions, given to them oftentimes by the President from motives of merely personal and political favor.

It is a further very serious objection to these Reciprocity treaties, that the question of ratifying them is discussed and decided in secret sessions of the Senate. The debates upon them are not preserved, and the injunction of secrecy may not be removed from the votes upon them, until nearly everybody concerned has passed off the political stage. It is said that the vote upon the ratification of the disastrous Reciprocity treaty of 1854 with Canada, has been kept as a Senatorial secret to this day.



## THE ISSUE OF LEGAL-TENDER NOTES.

[CONTINUED FROM THE DECEMBER NUMBER.]

The Treasury was getting lower every day. Money or other available means must be obtained without delay. The Treasury could no longer delay payment without ruining the credit of the Government. The Secretary had authority under the loan act of July, 1861, to issue \$46,000,000 of Treasury notes, bearing 3-65 per cent. interest, or to issue 7-30 notes, but he could not issue either kind at par. The 7-30 notes would not be accepted at a discount less than two per cent., and the 3-65 notes at a greater one. The rate of interest was too low to attract investors; and as the notes were not a legal tender they could not be employed as money. The needs of the Treasury were so pressing that the sixth of February was fixed as the day for closing the debate in the House and taking the final rate on the bill. Its passage was assured, for the opinions of the members had been ascertained. Thaddeus Stevens, Chairman of the Committee of Ways and Means closed the debate, reaffirming what was said in the beginning, that the bill was "a measure of necessity, not of choice." He also remarked that the banks had continued to pay the loan which they had agreed to take, but since the suspension of specie payments they had paid not in coin but in demand notes of the Government which had kept them at par. The last of this loan had been paid the day before, and as soon as that transaction was finished they refused to receive any more Treasury notes. "They must," he said, "now sink to a depreciated currency." The remaining \$50,000,000 of the July loan the Secretary had been unable to negotiate, except a small portion of it, about \$10,000,000, which had been issued at 7 3-10 per cent. in payment of debts.

He declared that "without the legal-tender clause the notes could not be kept at par. Brokers, bankers and others would depreciate them. The National bank scheme recommended by the Secretary might, in ordinary times, be very useful, but while the banks are under suspension it was not easy to see how it would relieve the Government. They would have the circulation without interest, and at the same time would draw interest on the bonds and afford no immediate relief." He thought the Government should have the benefit of the circulation of legal-tender notes, and did not see how we could get along in any other way. He discussed the various plans that had been proposed, and concluded by saying that unless the bill passed with the legal-tender clause, it was not desired either by its friends or by the administration that it should pass at

all, and those who voted with him would vote against it if it were mutilated or emasculated.

Two amendments were made before the final vote was taken, which are of sufficient importance to be stated. One of these increased the amount of notes to \$150,000,000, but the \$50,000,000 authorized by the July Act of the previous year were to be retired, making this the maximum limit; the other gave holders the option to convert them either into a twenty-years' bond, at six per cent., or five-years' bond, at seven per cent. There were other amendments, but these need not be described. The bill passed by a vote of ninety-three to fifty-nine.

The Treasury was nearly empty, and the Secretary was unable to negotiate another loan under the July law of 1861, at the rates therein prescribed. The six-per-cent. twenty-year bonds were then selling at about eighty-eight, and the 7 3-10 notes were below par. In this emergency Secretary Chase urged the immediate passage of a bill giving temporary relief. The Senate Finance Committee sent a bill to the legislature, providing for the issue of \$10,000,000 of Treasury notes payable on demand, which were to be deemed a part of the \$250,000,000 loan authorized at the extra session in July, 1861. The bill was immediately passed by that body, and three days afterward by the House.

On the tenth of February the legal-tender bill was reported by the Finance Committee of the Senate, with numerous amendments, the most important of which were:

6. That the legal-tender notes should be receivable for all claims and demands against the "United States of every kind whatsoever, "except for interest on bonds and notes, which shall be paid in coin."

9. That the bonds authorized by the bill should be "redeemable in five years, and payable in twenty years from the date thereof."

15. That the Secretary might dispose of United States bonds "at the market value thereof, for coin or Treasury notes."

18. A new section, authorizing deposits in the Sub-Treasuries at five per cent., for not less than thirty days, to the amount of \$25,000,000, for which certificates of deposit might be issued.

19. An additional section "that all duties on imported goods, and proceeds of the sale of public lands," etc., should be set apart to pay coin interest on the debt of the United States, and one per cent. for a sinking fund.

Senator Fessenden, the Chairman of the Finance Committee, explained the amendments. With respect to the sixth, he remarked that under the provisions of the House bill, a creditor of the Government, holding its paper, notes or bonds, would be compelled to take his interest in notes or bonds, as the case might be, when the time for paying interest arrived. The Senate amendment, if passed, required the Government to provide coin for the payment of in-

terest. The object of this provision was not only to do justice, but raise and support the public credit. It would prove the good faith of the Government that it would spare no effort at whatever cost to give those who took Government paper something besides that for interest.

But the committee, so he explained, had provided a specific fund in order to accomplish that end. At first it was proposed to raise this by requiring the duties on imports to be paid in coin, but such a requirement of the importers was deemed by the committee hardly fair. "The result would be to make a distinction between different classes of the community, and to impose a very heavy burden upon those who are engaged in trade, and who would be called upon to pay duties. If we provide a paper currency, the natural and inevitable effect of it is that coin increases in price. The consequence would be, unquestionably, that those obliged to pay duties on ports might be compelled to make a severe sacrifice in order to raise the coin to pay the duties; and, in the next place, the general effect would be to, in effect, increase the duties provided by our tariff. Necessarily, if coin appreciates, if it becomes worth more than the ordinary currency, and duties are to be paid in coin, the effect of such a provision would be to increase the duties, which are already very high, and in some cases almost prohibitory. The committee, therefore, thought that, under the circumstances, that would not be wise; although, it will be perceived that, not having done so, the converse of the proposition may be true: that the effect, if we inflate the currency by paper, and allow the duties to be paid in paper, is necessarily to diminish the imports, and thus, perhaps, to lead to a greater importation." Having rejected this mode of getting coin the committee resorted to the modes set forth in the amendments above stated.

Another amendment related to the issuing of certificates of deposit. "This provision," said Mr. Fessenden, "was very much desired by the banks in all the cities. It was thought that it would afford them facilities that would give greater currency to the notes, that it would enable them to deal with them better." The objection to the amendment was that it might prevent the conversion of notes into bonds. That such a conversion might not be checked a lower rate of interest was to be paid on deposits than on bonds.

Having explained the amendments of the committee, he proceeded to discuss the bill. After admitting that if it were necessary to issue legal-tender notes to sustain the Government he should have no hesitation in sanctioning it, he questioned whether the Government had arrived at that stage, and whether something better could not be done than to pass this measure. He then stated his objections to the bill in a very brief, pointed way, which are worth reproducing here:

"The first," he said, "is a negative objection. A measure of this kind certainly cannot increase confidence in the ability or the integrity of the country. It can make us no better than we are to-day, so far as this foundation of all public credit is concerned.

"Next, in my judgment, it is a confession of bankruptcy. We begin and go out to the country with the declaration that we are unable to pay or borrow at the present time, and such a confession is not calculated to increase our credit.

"Again, say what you will, nobody can deny that it is bad faith. If it be necessary for the salvation of the Government, all considerations of this kind must yield; but, to make the best of it, it is bad faith, and encourages bad morality, both in public and in private. Going to the extent that it does, to say that notes thus issued shall be receivable in payment of all private obligations, however contracted, is, in its very essence, a wrong, for it compels one man to take from his neighbor, in payment of a debt, that which he would not otherwise receive or be obliged to receive, and what is probably not full payment.

"Again, it encourages bad morals, because, if the currency falls (as it is supposed it must, else why defend it by a legal enactment) what is the result? It is, that every man who desires to pay off his debts at a discount, no matter what the circumstances are, is able to avail himself of it against the will of his neighbor, who honestly contracted to receive something better."

The other reasons advanced by him were, that the measure would inflict a stain on the National honor; that it would change the values of property and cause inflation, and that the loss resulting therefrom would fall most heavily on the poor. He urged taxation, good faith and economy as the best means of maintaining the credit of the Government. The bill was ably debated in the Senate, and finally passed that body by a vote of thirty to seven.

The bill having been amended in the Senate, further action thereon was needful by the House. The five amendments previously mentioned were the most objectionable to the members, and we will briefly show what the House did with them:

All laws authorizing loans from the organization of the Government had provided for the payment of "dollars." This word had a well-known meaning under our coinage and legal-tender laws, and many members were opposed to any discrimination in favor of the bondholders. The House, however, concurred in the Senate amendment to pay the interest on bonds and notes in coin, and also in the fifteenth amendment authorising the Secretary of the Treasury to sell bonds at their market value. The House, after amending the eighteenth amendment, concurred in it, but did not concur with the Senate in the ninth and nineteenth amendments. The House, on the recommendation of a Committee of Conference,

receded from their action on these also, save a slight change in the amendment relating to the creation of a sinking fund. Thus the principal Senate amendments were adopted by the House. The bill, as finally amended, passed the House by 97 votes against 22. In the Senate there was no division of the vote. The President approved the bill, and thus it became a law. No financial measure of modern times has produced such far-reaching consequences, and it was therefore fitting to give this minute history of its origin and growth. The debates in Congress and discussion elsewhere showed that the probable effects were well understood, for the issuing of paper money by governments is an old device, the awful operation of which has been recorded in luminous language. The measure had not the slightest tinge of originality. Spain, Russia, France, and other countries had indulged in similar financial experiments, and their operations are among the most familiar facts of history. When St. Simon told the Duke of Orleans that the finances of the greatest king in Europe ought not to be managed like those of a private person, the Regent solicited the financial genius of John Law, and the nation found the philosopher's stone in paper mills. Many thought like the Regent when fiat money was first manufactured by the American Government. It is true that others favored this measure, honestly believing it was necessary to obtain a monetary supply. But a vast number rejoiced over the adoption of the measure, because they believed in the efficiency of fiat money. They were the enemies of banks and bank notes, and believed that Government should issue the entire paper money, and knew no reason why this valuable and highly profitable privilege should be granted to individuals without reward. This class has always existed since the founding of the Government, and exists to-day. Doubtless many of them were not wise, many were dishonest, and saw, if the measure were adopted, an easy way to pay their debts; nevertheless, the dishonest, ignorant, and equally selfish men who differ from the believers in fiat money are not scarce.

The measure rested mainly on the foundation of an "absolute, overwhelming necessity." If this did really exist, who could take exception to the ringing words of Senator Fessenden, when he said, "I would advocate the use of the strong arm of the Government to any extent in order to accomplish the purpose in which we are engaged. I would take the money of any citizen against his will to sustain the Government, if nothing else was left, and bid him wait until the Government could pay him. It is a contribution which every man is bound to make under the circumstances." But Fessenden did not believe the time had come for resorting to such an expedient to get money for the Government. He showed that the country was rich, and though our credit had been somewhat injured by the conduct of the war, it was not gone. The

National credit was low when the administration came into power, and Secretary Chase in a few months had committed serious blunders which were disheartening; but, if instead of inventing paper wings for money as soon as the banks had suspended specie payments, the President had selected Mr. Fessenden, or another man equally competent, to manage the Treasury department, the banks would have co-operated with him, and new loans would have been negotiated. But it was hopeless to attempt to work with Mr. Chase, for he knew nothing about finance, and was unwilling to learn. It is true that the issue of legal-tender notes might have been necessary at some period of the war, but the fires of patriotism which were now everywhere burning brightly were not mere cornstalk illuminations. Men were ready to assist not only in sending soldiers, but in lending their money just as soon as the Secretary showed efficiency in borrowing and in spending it. We do not believe that patriotism in those days was a sham, and if it were not, surely an "absolute necessity" did not exist to justify the enactment of this measure. It must be remembered, too, how much the cry of "absolute necessity" had been intensified since the first introduction of the bill. By fastening sharply on that expedient, and neglecting every other, a great many had come to believe that really an "absolute necessity" did exist for issuing a forced paper money.

Nevertheless, beside the members of Congress who believed the measure to be necessary, were many others whose opinions were worth much. The Government could no longer pay gold and silver, and the demand Treasury notes, authorized in July, did not circulate freely. Individuals, railroad companies, and banks refused to receive them. After the suspension of specie payments, the banks paid the remainder of their loan to the Government in Treasury notes, but after completing this engagement, declined to recognize them. Consequently, they were worth less than bank-notes. Yet the opinion widely prevailed that the Government ought not to depend on irredeemable bank notes for money. It was feared that with no restraint whatever on their issues the banks would enormously inflate their circulation. After the suspension of specie payments in 1812 the banks, released from the demands of billholders for gold and silver, issued notes in enormous quantities. Would not the banks, if the opportunity occurred, be strongly allured by the hope of gain to repeat their former action? Moreover, the Government had no right to receive them. The Sub-Treasury law was in operation, and the Government could legally receive only gold and silver and Treasury notes. But it must have resources of some kind in order to live. As specie could not be employed, the Government must either depend on the circulation of the banks or issue one of its own. And if the issuing of Government notes was the best plan and the most generally favored,

should they be endowed with the legal-tender quality or be issued without it? On that question public opinion strongly favored the issue of legal-tender notes. Said Senator Sherman, in a speech on this subject: "Almost every recognized organ of financial opinion in this country agrees that there is such a necessity in case we authorize the issue of demand notes." The Secretary of the Treasury had declared in his official communications to the Senate and in private conversation with members of the Finance Committee of that body, that the notes must be made a legal-tender to insure their negotiability. The same view was entertained by the Chambers of Commerce of Boston, New York, and Philadelphia. The Cashier of the Bank of Commerce of New York, speaking for that bank and other banks of New York, "stated explicitly" to the Finance Committee of the Senate that they "could not further aid the Government unless the proposed currency was stamped by and invested with the legal form and authority of lawful money, which they could pay to others as well as receive themselves." "If you strike out this legal-tender clause," said Senator Sherman in blazing language, "you do it with the knowledge that these notes will fall dead upon the money market of the world; that they will be refused by the banks; that they will be a disgraced currency, that will not pass from hand to hand; that they will have no legal sanction; that any man may decline to receive them, and thus discredit the obligations of the Government." Legal-tender notes, therefore, were the best substitute for gold and silver in making payments to the Government that could be devised, and far more acceptable to the people than irredeemable bank notes. They were an effective instrument for transferring the capital of lenders to the Government.

In these reasons was rooted the necessity for issuing legal-tender notes. Whether they were as strong as they appeared to be to many we shall not attempt to decide. The opinions of men equally intelligent, candid and patriotic, were divided concerning the necessity of issuing legal tenders in 1862, and probably always will be. History is not a judge, but a friendly light to those who are trying to find a better way.

The people were quickly reconciled to the measure. Many had heartily favored it from the beginning. This was true of the debtor and speculative classes; the latter class especially, with their keen instincts for making money, knew that with the general derangement of prices, which was sure to follow an inflation of the circulating medium, a golden opportunity would appear for them to exercise their peculiar powers. They flourish when the storm rages hardest; in calm waters they are like a ship whose sails are uselessly suspended in the air. Nothing could please them better than a deluge of cheap money. Moreover, the tune of "absolute necessity" had been played

so much that all the people had learned it well, and so they loyally bowed to this expression of legislative wisdom involving the greatest consequence of any law, save the funding of the revolutionary debt, ever passed by Congress, having faith that however destructive the impending monetary revolution might prove to be, the cause of the Union would finally triumph.

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### EFFECT OF ISSUING LEGAL-TENDER NOTES AND SUSPENDING SPECIE PAYMENTS.

Having shown how a section of the National bank bill was transformed into a law authorizing the issue of demand Treasury notes, endowed with a legal-tender quality, we shall trace the effects of this legislation on the morals and prosperity of the people. Some of these effects were immediate and brief, while others are yet felt like the agitation of the sea, which continues long after the storm has passed away.

The suspension of specie payments also produced a series of effects which are worth careful study. These, as well as the effects of issuing legal-tender notes will be traced in this chapter.

When the first bill authorizing the issue of legal-tender notes was before the House, Mr. Horton, of Ohio, set forth in a speech the principal effects which would follow if the notes were issued. They would be paid to contractors of the Government, who would pay them to their debtors. They in turn would be anxious to get persons to take them, and money would seem for the time to be abundant and trade active. All parties, however, would find out that the Government had wronged somebody. And what would the contractors do next?

"They will bide their time. The Government is obliged to get supplies, and the contractors will put their supplies up to the amount they have lost, and ten or fifteen per cent. more." Mr. Horton then described the effects of the Act among the people. "The first shock will be that the moral sense of the country will be outraged. Your friends and neighbors will not at first be made to believe that it is right when they have agreed to pay a hundred to get a clear receipt for eighty-five, or ninety or ninety-five." The next effect, he maintained, would be confusion and uncertainty in relation to the value of all exchangeable things. Prices, too, would be inflated. "There are some things," he remarked, "which cannot be done. Inflation of prices, although it might not be rapid, and although the country might not be ruined at once, and although we might not find ourselves in that Serbonian bog in which whole armies have sunk at once, we will get there



soon enough. And, when inflation of prices begins, exports decrease and imports increase. Agricultural interests will be injured to an incalculable extent, and the next great result will be upon us, which is the export of gold out of the country to pay debts abroad for excessive importations, superinduced by the inflation of prices here. We shall not then be able to say, as we can now, 'the farming productions of the West have been sent abroad to such an extent that even gold has been brought back to pay the balance of trade in our favor.' In the end the Government will be mostly the loser by the inflation of prices, because it has to buy such an immense amount of supplies, and the contractor will hold in his hand, not the legislative power, but the practical power, to say, here is my property, and you shall have it for such a price, and not for less." All classes of labor, also, he maintained, would be injured "by this great act of oppression. You render the standard of payment uncertain, and they never will know what their wages are for a day's work." The capitalist of New York, the millionaire, here and there, would take care of himself and send his means out of the country. But the worst effect of all was the disgracing of the Government. It was worse than "forty defeats on the battlefield. It could not be wiped out by any future heroism. It was saying to the world that we were bankrupt, and that we were not only weak, but not honest." No other member of Congress\* described the probable effects of the bill during the debate with so much prescience. He described, however, only the injurious and malign effects, and was unable to foresee any good result from the use of this expedient. Nevertheless, good was mingled with the evil, and the truth of history requires that all the effects should be traced and set forth in their proper light.

The first noteworthy effect of suspending specie payments was the increase of bank circulation. After the suspension of specie payments in 1812 the same thing happened. The banks multiplied rapidly. Within a year after the suspension in 1861 the banks in New Hampshire had increased their circulation twenty-seven per cent.; those in Philadelphia, 138 per cent.; in Providence, eighty-six per cent.; in New York, sixty-nine per cent.; in Massachusetts,

\* Representative (now Senator) Morrill, of Vermont, stated the effects of the measure in the following succinct and forcible language: "I maintain that the bill should not pass, because it will infinitely damage the National credit; because it will cut off all other chance of supplies; because it will reduce our standard of legal tender already sufficiently debased; because it will inflate the currency, and increase manifold the cost of the war; because it would slide into the place of proper taxation; because, as a resource, it must ultimately fail, and tend to a premature peace; because it is a question of doubtful constitutionality; because it is an *ex post facto* law, immoral, and a breach of the public faith; because it will at once banish all specie from circulation; because it will dampen the ardor of our men at home, as well as soldiers in the field; because it will degrade us in the estimation of other nations; because it will cripple American labor, and throw at last larger wealth into the hands of the rich; and, because there is no necessity calling for such a desperate remedy."—*Congressional Globe*, Feb. 4, 1862.

twenty per cent.; in Baltimore, thirty-two per cent.; in Newark, N. J., forty-two per cent., while the increase was very large in other States and cities.

Several reasons were given for increasing their circulation. One of the most common of these was, that silver change having become scarce, small bank notes were needed as a substitute. Another reason was that, in suspending specie payments, gold was withdrawn from circulation, and more bank notes were needed to fill the vacuum. It was also maintained that large sums were carried by soldiers to the seat of war, and other sums were left by them to support their families, thus diminishing the supply in actual circulation. Moreover, at the time when the suspension occurred, cash dealings had greatly increased; the circulation of Eastern banks was enlarged by sending it to the West to fill the gap occasioned by the failure and closing of Western banking institutions. Another reason given by the Bank Commissioners of Massachusetts was, that the motive for sending bank notes for redemption no longer existed, especially of those banks having good credit, because their notes were as valuable as anything which could be obtained for them. "Men hold them and hoard them, therefore, precisely as they would do with specie, and the volume of the currency becomes greater, precisely as its current grows more sluggish."

Many of the banks put forth no unusual or unjustifiable effort to enlarge their circulation, and they were surprised by the event. "They had anticipated a great decline of circulation as soon as the Government notes should come into use." It extended, notwithstanding the efforts of some banks to diminish their notes; those issued did not come back for redemption; and, on the other hand, fresh supplies were wanted by depositors and customers to provide for tax-rolls or to make other payments.

But this reason for expanding bank issues was not entertained everywhere. A bank officer in Pennsylvania wrote, in December, 1862, "the present expansion of the banks is unjustifiable." The banks had, for the sake of profit, but contrary to prudence, contributed to the expansion. "They will continue to expand," he adds, "until the bubble bursts, or the iron hand of the Government interferes to save the people. This *ad libitum* issue of paper is filling up all the channels of circulation, and forcing specie into the clutches of hoarders and the hands of brokers. It is inflating values, stimulating stock speculations, will soon give a fictitious value to real estate, and will end in a crisis such as we have never yet experienced in history,"

There was a conservative bank movement in Boston and New York after the suspension, but of short duration. In New York the banks dared not enlarge their circulation so long as they declined to redeem it. No law existed or could be passed in that

State sanctioning the suspension of specie payments. When, however, the legal-tender law was enacted by Congress, in February, 1862, the banks of New York, securely sheltered by it, promptly enlarged their circulation. Two facts, therefore, sharply stand out in the history of our paper monetary circulation during the early years of the war: First, that the Secretary issued a considerable quantity of demand Treasury notes which swelled the circulation contrary to the advice of the banks. They declared, as we have seen, that they could not redeem them in addition to their own circulation. As the Treasury was without coin which could be used for that purpose, their redemption was impossible, and the banks believed they would depreciate. The second fact is, while accusing the Secretary of the Treasury of inflating the currency by issuing Treasury notes, they were doing the same thing. Not all of the banks were guilty of this inconsistency; but many of them swelled their issues, notwithstanding the enormous quantity issued by the Government, until they were pressed into the National banking system.

When the inflation of prices began in consequence of increasing the bank circulation and Treasury notes is a question. The Superintendent of the Banking Department of New York, in his annual report made at the close of 1862, says: "No better barometer whereby to measure the state of the currency can be found than the returns made to this department; and these indicate most clearly that as yet no redundancy of the currency exists. Indeed the capability of this department to meet the demand for notes was never more severe than it has been during the last nine months. Nor was it the result of a fictitious demand. The banks found themselves embarrassed in the transactions of their business by the want of currency to meet the daily requisitions. Every soiled and mutilated note, capable of service, was brought into use, and the banks of the East were literally besieged for currency wherewith to move the crops of the West. Engagements were made weeks in advance by those wanting currency, in order to secure a supply, and numerous facts might be adduced to prove, that with all the issues of the Government and the banks, the volume of currency was not in excess of the wants of the country."

The Secretary of the Treasury, in his annual report, at the close of 1862, maintained that no inflation had yet been caused. First, "because the whole quantity of circulation did not, at the time, greatly, if at all, exceed the legitimate demands of payments;" secondly, "because the whole, or nearly so, of the increase in circulation during the year was legitimately demanded by the changed condition of the country," and thirdly, because the premium on gold had fallen seven or eight per cent. within a month from the date of his report. If, however, an "undue expansion had taken place,

the obvious and sufficient explanation was the increase of bank circulation and deposits."

That prices had risen to some extent was a familiar fact, but what caused the rise? The enormous demand of the Government for commodities was a powerful cause. How far the banks contributed by increasing their notes and deposits, and how far the Government, by issuing legal-tender notes, is a question very important, but which we cannot stop long to consider. The effect of an increase of the circulating medium on prices is determined by the use made of it, and also by the nature of the medium itself. An increase of silver in India for many years had no effect on prices, because it was hoarded, turned into jewelry, in short, was practically demonetized. The legal-tender notes were issued by the Government to pay contractors, soldiers, and other persons engaged in the public service. A large portion of these notes found their way to the banks and swelled their deposits. The issues of the banks were paid to persons needing money to discharge debts, and circulated very much in the same way as the legal tenders. The increase in many cases took the form of loans to ordinary borrowers. They came back, or a portion of them for deposit, and were re-issued. Both kinds, therefore, circulated among the people, both were deposited in the banks and furnished the loan-supply, and both, therefore, had the same influence on prices so far as these were effected by the quantity of the circulating medium. But as the banks had issued only \$37,000,000 of notes since the first of the year, and the Government had issued during the same period \$80,000,000 of them, the conclusion may be fairly drawn that the Government by its action in expanding the monetary circulation had done more to enhance prices than the banks.

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## STOCK CLEARING.

[CONTINUED FROM THE DECEMBER NUMBER.]

## THE GOLD EXCHANGE CLEARING METHOD.

Before entering upon a description of the various methods employed in different stock clearing-houses, it is necessary that the reader should understand the methods which they have superseded. The rules and regulations of the principal Stock Exchanges in the country are modeled from the oldest, the New York Stock Exchange, therefore its method, which we give, has a general application.

All transactions made by brokers, unless otherwise expressed (such as "seller 3" or "buyer 30," etc.), are "regular." Regular purchases and sales are defined by the rules to mean that the stock is to be delivered by the seller and received and paid for by the purchaser on the following business day. The transaction is made on the floor of the Exchange, and immediately reported by messenger to the office of the broker. After being recorded on the books of the firm, it is transcribed to a book called the "comparison book." This book is placed in the hands of a clerk, who proceeds to the office of the other party to the transaction, and "compares" it with the record made on his (the other party's) books. Of course, the first, whom we will say is the seller, has no access to the purchaser's books. He presents himself at the wicket of the clerk having charge of that department, and reads from his book "Kendall sold you three hundred Erie twenty-one and a-half." If it agrees with the purchaser's books, the clerk answers "Bought of Kendall three hundred Erie at twenty-one and a-half," or sometimes merely "all right." If not, both parties report the discrepancy at once to their principals on the floor for adjustment. This is easily done, if attended to before a change has taken place in the price of the stock, but sometimes very difficult if not discovered and settled before such change has taken place. Many houses make this comparison by loose blank forms called "comparison tickets," which the seller slips under the wicket at the purchaser's office (and *vice versa*), and thus avoids delay if the clerk is otherwise engaged. At the foot of this ticket is printed, "If not correct, please report immediately."

On the following day, a tag or ticket relating the particulars of the sale is attached to the certificate to be delivered, and together they are presented at the office of the purchaser before 2.15 P. M. and a check received for the same. The rules permit the seller to demand a certified check, but it is the custom for the seller to ac-

cept an uncertified check and himself present it at the bank upon which it is drawn and obtain certification. This is *after* the stock has been delivered. For each transaction there is, therefore, a delivery of stock, and the receipt of a check. In cases where both purchases and sales have been made in the same stock, the deliveries cannot be made until the stocks purchased have been received and paid for. The checks given for these go to the bank for certification in advance of the deposits of the proceeds from the sales, thus causing the over-certification as before stated.

There is really but one method which has been permanently successful in performing a full clearing of stocks and cash at the same time, and that is adapted to the clearing of one stock only. It is the method originally employed by the old New York Gold Exchange, and is the same as that used by the different Petroleum Exchanges of the present day. In the former the dealings were in Government certificates of value stamped on metal instead of being printed on paper, and in the latter the dealings are not in petroleum, as the word implies, but are in warehouse storage receipts, called "pipe-line certificates." Although gold was also money, it was not used as a currency medium at that time. The sole currency then was National bank notes and the legal-tender notes issued by the Government. Gold was a commodity bought and sold for currency, just as any other certificate having a fluctuating value.

So closely have the petroleum clearing-houses followed the old method that their comparison tickets are verbatim copies of those, although the reasons for the employment of the peculiar language have long since ceased to exist. These comparison tickets are of the size and shape of an ordinary bank check, two and a-half inches by seven inches, and of the following form:

DELIVER GOLD.	No. 252.	NEW YORK, June 14, 1869.
	NEW YORK GOLD EXCHANGE BANK.	
	CLEARING DEPARTMENT.	
	To the Manager:	
	You are advised that we shall settle through the Clearing Department to-day with <i>H. Harrison</i> \$25,400 Currency for \$20,000 Gold.	
	<i>Black &amp; Brown.</i>	

This is the seller's ticket, and is printed in black ink. The one to be signed by the purchaser is printed in red ink, and is of the same form, except the word "receive" in place of the word "de-

liver," and the positions of the words "currency" and "gold" reversed. The natural form of a comparison ticket is, "We have bought of —," and "We have sold to —," but in the time of the Gold Exchange Clearing-house that form was defined by the Government to be a contract, and, under the revenue laws then in force, subject to a stamp tax. To evade that tax the form of a note of advice was adopted, but as a note of advice it would not be intelligible except for the words "receive" and "deliver" printed across the left-hand end. The seller then delivers the ticket signed by him to the purchaser, and receives in exchange the one signed by the purchaser. When all the exchanges have been made the broker, A, has purchasers' tickets for all the sales he, A, has made, and sellers' tickets for all the purchases he, A, has made. These are entered upon a form called the "Statement," as below:

No. 321.

STATEMENT OF *Black & Brown.*

TO NEW YORK GOLD EXCHANGE BANK—CLEARING DEPARTMENT.

*Black & Brown.**June 14, 1869.*

Receive from	Gold.	Currency.	Deliver to	Gold.	Currency.
<i>Adams &amp; Co.....</i>	4,000	5,040	<i>Earl &amp; Eames....</i>	11,008	13,970
<i>Burns &amp; Bright....</i>	10,000	12,600	<i>T. W. Fox.....</i>	5,000	6,350
<i>Carpenter &amp; Cross .</i>	8,000	10,080	<i>Gardner &amp; Graw.</i>	4,000	5,080
<i>Deblin &amp; Co.....</i>	16,000	20,160	<i>H. Harrison.....</i>	20,000	25,400
<i>Gold due bank .....</i>	2,000				
<i>Currency due dealer.</i>		2,920			
	40,000	50,800		40,000	50,800

Size of sheet 13 × 17 inches. *Italics* indicate written matter.

In some of the petroleum exchanges the comparisons are made orally from the sheets or "statements," and the use of tickets dispensed with. This statement is sent in to the Clearing-house before half-past twelve o'clock.

In the gold Clearing-house the force employed was the President, Cashier and Assistant Cashier of the Gold Exchange Bank, ex-officio officers of the Clearing-house; also, four tellers, each having an assistant teller, a "check clerk" and an "examining clerk"; also about ten subordinate clerks, making the total number about thirty. The routine there was as follows:

The statements, accompanied by the comparison tickets, were delivered by the dealer to the teller. Amounts of debtor balances, as

shown by the statements, were paid in at the same time; currency balances in certified checks, and gold balances, either in coin, United States Treasury gold certificates, or certified checks. The teller and his assistants first entered the balances in their respective columns on the balance books, which were of the following form:

NEW YORK GOLD EXCHANGE BANK—CLEARING DEPARTMENT.  
BALANCES, *June 14, 1869.*

<i>Gold due bank.</i>	<i>Currency due bank.</i>	<i>Name of Dealer.</i>	<i>Gold due dealer.</i>	<i>Currency due bank.</i>
121,500	151,875	Atterburg & Son.....		
		Adams & Co.....	55,000	68,950
2,000	2,920	Black & Brown.....		
44,000	65,880	Burns & Bright.....		
		Carpenter & Cross.....	5,000	6,400
		Dunnisky & Co.....	3,500	4,480
		Dull & Brown.....	104,000	140,845
		etc.....		
167,500	220,675	Totals.....	167,500	220,675

From the tellers the dealers' statements went to the examining clerks, who checked off each ticket with the corresponding entry on the statement, and examined the correctness of the additions of the columns. In the meantime the tellers made the footings of their balance books, and reported the result to the cashier, who made a summary of the reports from the four tellers, which was the proof. The tellers also made up deposit slips of the gold and currency received by them, and deposited the funds in the banking department, while the check clerks drew the checks for the creditor balances. The latter, after being signed by one of the officers, were handed to the tellers for delivery to the dealers. If the total amount of the columns headed "Gold due bank" equaled the total of those headed "Gold due dealer," and the total "Currency due bank" equaled the total "Currency due dealer," the work was correct. If there were any difference it must result from one or more of the following causes: 1st. The failure to exchange tickets; 2d. The entry of a ticket not exchanged; 3d. Omission of a ticket exchanged; 4th. Entry of an amount differing from that on the ticket; 5th. Entry of purchase ticket on sales side, and *vice versa*; 6th. Exchanging of tickets differing in amount; 7th. Error in footings and balances of statements; and, 8th, Error of Clearing-house in



transcribing balances from the statements to the balance books, and in making the adjustment. The work of the Clearing-house was checked over first. If the discrepancy was not then found, the examining clerks assorted the tickets into a set of pigeon holes labeled with the names of the dealers. This assortment brought together all the tickets *signed* by the same dealers. When first received these tickets were checked off on the statements of the parties who had received them. They are now checked off on the statements of the parties who issued them. This process must bring to light any error in the exchanging or entry of tickets. When all the errors have been found and the corrections made, the tellers are authorized to pay the creditor balances, and not until then. The following were the

#### RULES AND REGULATIONS.

"*First.*—For all contracts in gold between dealers to be settled through the New York Gold Exchange Clearing Department, advice orders addressed to the manager of the Clearing Department must be exchanged by the contracting parties.

"*Second.*—A dealer who contracts to deliver gold shall send his advice order to the office of the other party to be exchanged at or before 12.15 P. M. the day the contract is due.

"*Third.*—Each dealer shall make a written statement, in the prescribed form, of all advice orders of other dealers which he has exchanged, and send his statement properly *balanced and signed*, with the advice orders, to the Clearing Department at or before half-past twelve P. M.

"*Fourth.*—Payment of all balances due the Clearing Department must be made at the time the statements are handed in; if currency, by certified checks; if gold, by certified checks, coin, or United States Treasury gold certificates. All checks paid to the Clearing Department should be made payable to the ——— Bank for credit of the New York Gold Exchange Bank Clearing Department.

"*Fifth.*—The Clearing Department will pay all balances due its dealers in checks on ——— Bank, payable to the order of the dealer at half-past one o'clock P. M., or as soon as the necessary examination of statements is completed; but will in no case make any payment of balances due dealers until all balances due the Clearing Department have been paid in.

"*Sixth.*—All dealers who have entered amounts due from or to them, on their statements, will be responsible for the same, and must immediately, on notification, make good any amounts in default, and for this purpose dealers must be present, personally or by attorney, at the Clearing Department at one and a-half P. M. In case the statement of any dealer, with the balance due, be not presented at the Clearing Department by one o'clock P. M., such dealer

shall be considered to have failed for Clearing-house purposes, and shall be suspended from the privileges of the Clearing Department.

*"Seventh.*—In case of failure to make a general clearing by two o'clock, notice will be posted in the Clearing Department and in the Stock Exchange, announcing such fact, and all checks, currency, coin, United States Treasury gold certificates, statements and orders belonging to dealers will be immediately returned to them when called for.

*"Eighth.*—None but members of the New York Gold Exchange shall be allowed the privileges of the Clearing Department, except banks, banking agencies, bankers, brokers, and all firms at present existing, to whom such privileges may be granted by the governing committee of the New York Gold Exchange.

*"Ninth.*—The privileges and use of the Clearing Department shall be withdrawn and discontinued at the discretion of the governing committee of the New York Gold Exchange for cause, from any and all persons not members of the Exchange, to whom such privileges may have been granted, or from any person who may cease to be a member of the New York Gold Exchange.

*"Tenth.*—The charge for clearing will be at the rate of twenty dollars in currency for each million dollars gold. (This rate was afterwards reduced to ten dollars per million gold.) Amounts due for commissions and fines are payable weekly or upon presentation of bills.

*"Penalties.*—In case a dealer fails to present his statement at or before half-past twelve P. M., with the balance due the Clearing Department, a fine of \$15 will be imposed.

"For each and every error of one dollar or over in statement, or order or exchanging orders, the dealer will be fined two dollars and a-half.

"Statements presented without signature shall be liable to fine.

"Any dealer who shall neglect or refuse to pay amounts due the Clearing Department, after payment of the same shall have been demanded in writing, shall be liable to have his name reported to the President of the New York Gold Exchange.

"These rules are imperative, and will be rigidly enforced.

"The foregoing rules and regulations may be altered or amended at any regular meeting of the governing committee of the New York Gold Exchange, provided, however, that the same shall be approved by the New York Gold Exchange Bank."

The clearing was conducted by the Gold Exchange Bank, which received all the profits. Nearly all the petroleum exchanges clear similarly through a department of a bank or trust company which also receives all the profits. In some instances the bank allows the exchange a percentage of the profits as a consideration for the business, and partly, perhaps to secure its discipline over its members in the enforcement of the rules.

The principal petroleum clearing-house is that of the American Loan and Trust Company of New York, which clears the business of the New York Mining, Stock and National Petroleum Exchange. It has cleared 23,000,000 barrels of oil in one day. Its charges were at first five cents per thousand barrels, but are now greatly reduced. They are regulated on a sliding scale. When the business is 8,000,000 barrels per day, or less, the charge is one and an eighth cent per thousand, which decreases inversely with the volume of business to five-eighths of a cent per thousand barrels.

#### HISTORY OF THE GOLD CLEARING-HOUSE.

Having described the method employed in clearing gold, it may be of interest to give a brief account of the organization and operation of the first and principal stock Clearing-house in the United States.

When, upon the breaking out of the civil war, in 1861, the issue of National bank notes and Government paper became the currency of the country, gold at once reached a premium, and thereafter became a commodity which was bought and sold in the market for the money of the time called "currency," as shares of stock and pipe line certificates are at the present time. To facilitate transactions of this kind, the New York Gold Exchange was organized. In the course of a few years the transactions in this board reached such a volume that further means were required to facilitate the settlement of its transactions. A method similar to that employed by the associated banks was looked to for that purpose, namely, a method of clearing.

A bank was created and called the New York Gold Exchange Bank, with this as its principal object. It had a capital of \$500,000 fully paid up. On the eighth of December, 1866, the exchange adopted the method just described, and made a contract with the bank by which the latter was to operate the clearing for the exchange.

The bank opened for business at No. 58 Broadway, corner of Exchange Place, on Monday, the tenth of December. The first clearing was made on Tuesday, the 11th, of the business of the preceding day. The total clearings were \$51,000,000; the next day, the 12th, they were \$60,000,000; 13th, \$48,000,000; 15th, \$49,000,000. The daily average amount of gold required to settle this business was \$1,500,000. During the year 1868 the average daily clearings were \$64,000,000. Under the increased facilities afforded by the new system, the business continued to grow until it reached such dimensions that on the third and fourth of September, 1869, the total clearings of the two days were over \$400,000,000. On the next business day, Monday the 6th, they were \$199,229,000. Gold balance, \$2,842,000; currency balance, \$4,236,000. From the 6th to the 23d, the daily clearings averaged \$106,653,000.

On the latter date the clearings were so large that they had not been made up on the adjournment of the board. When ascertained, they showed \$324,524,000 cleared that day; gold balance \$5,957,000, currency balance \$9,055,000. At this time the total amount of gold in all the banks and business houses in the City of New York was not over \$20,000,000.

The clearings of the 24th (the business of the 23d) were still larger. The figures were not ascertained at all that day, nor for some time thereafter, but were estimated at over \$500,000,000. Over thirty thousand comparison tickets (representing fifteen thousand transactions) were received by the Clearing-house. On the morning of the 25th the bank formally notified the exchange that, inasmuch as it had not yet reached an adjustment of the business of the 24th (23d) it could not undertake the clearings for that day, which was the exchange business of the 24th, afterwards known as "Black Friday," and estimated to be much larger than that of the previous day. This, of course, was a suspension of the Clearing-house. The bank, in addition to its business of clearing gold had undertaken a general banking business by receiving deposits on dealers' accounts and loaning its money on gold to the same class and frequently on the credit balances, as shown by dealers' statements to the Clearing-house. On this occasion the bank advanced money to some of its customers upon their credit balances, which afterwards proved to be not good because of the failure of a number of large firms to meet their indebtedness to the Clearing-house. The confusion brought about by this mixture of the affairs of the Clearing-house with those of the bank brought about the immediate suspension of the former and the subsequent suspension of the latter.

One of the rules of the Clearing-house provided that no credit balances should be paid out until all debit balances had been received. Had this principle been strictly adhered to the Clearing-house could have fallen into no difficulty, because the creditors would have received only so much of their claims as were good, the remainder they would have been obliged to recover from the debtors direct, without involving the Clearing-house. But the Clearing-house and the bank were practically one and the same, and though the management of the Clearing-house, as such, did not, perhaps, violate its rules, the act of the bank in advancing balances to dealers was practically the same thing. Having paid out their funds to those to whom it did not belong they had insufficient funds for the real creditors.

This double suspension was a severe blow to the business of the exchange, because, besides suddenly withdrawing a piece of machinery, which by long use had become indispensable, it locked up a large amount of capital, perhaps the entire capital of half the dealers.

The bank, by making a partial settlement, put itself into a position where it could not comply with Rule VII. of the Clearing-house, by returning to the dealers their own checks unused. Could it have done so it would have saved the Clearing-house.

For several weeks, business was entirely suspended, because the transactions of the 24th were not yet settled, and most of the dealers were practically insolvent in consequence. The transactions were so large that there was not gold and currency enough in the city (or country for that matter) to settle them by separate delivery. They were made in the belief that there would be a clearing by means of which to settle them, and there was no other way to do it. The confusion in the old Clearing-house prevented that institution from attempting it, so the Bank of New York was appealed to. After much solicitation it finally consented, but made only a feeble attempt and gave it up without accomplishing anything. At last a committee of twenty-four members of the exchange, by unanimous request, undertook the task, and after some days' severe labor, succeeded in settling the business of all the solvent members.

Then business began again, but continued small on account of the diminished facilities for handling it. The average sales were only about \$1,000,000 per day. By the 22d of November the bank had passed into the hands of a receiver and out again, with capital reduced and surplus gone entirely. It had also finally paid all the Clearing-house balances of 24th September (in installments) and was again an applicant for the clearing business of the gold exchange. In the meantime there had been much controversy in the gold room on the question whether the clearings should not hereafter be conducted by the exchange itself. Many of the leading members were earnest in their advocacy of such a plan, but the friends of the bank finally carried a resolution to restore the business to the bank. Accordingly, on the 22d the bank re-opened, but for clearing purposes only, the banking part of the business having been abandoned. On that day it cleared \$5,322,000. The business grew immediately with great rapidity. On the 26th the clearings were \$26,000,000, and on the first of December \$50,000,000. During the next few years the clearings ran from \$100,000,000, to \$200,000,000 per day, and were conducted without further hitch or halt. About January 1, 1877, the Gold Exchange was consolidated with the Stock Exchange, and the operation of the clearing was simultaneously transferred from the Gold Exchange Bank to the Bank of the State of New York. From this time the business began to die out slowly, with the decline in the premium on gold, until January 1, 1879, when the resumption of specie payments by the Government took away its further usefulness and the Clearing-house closed.

## SUGGESTIONS TO YOUNG CASHIERS ON THE DUTIES OF THEIR PROFESSION.

[CONTINUED FROM THE DECEMBER NUMBER.]

To resume my personal address to the young cashier, you should not possess an overweening desire of praise, nor invite commendation. Nor should you be intoxicated with your own merits.

You should never speak of your official acts, except in explanation and in self-defence. In all pleasantry, I will add, that, in old age, you may tell the son who succeeds you what you were in your youth; but, now, be content with the quiet appreciation of others. Delicate attentions and marks of respect are the surest and best manifestations of regard, and if you have these, do not pine in discontent or discouragement.

In your *official* intercourse with the president and directors, observe great deference; and at the "Board" it may be proper to address the former by his title.

Never speak of the real or supposed faults of character of a director in the social circle, nor bear tales or remarks from one director to another. Whatever your preferences, likes, and dislikes—and you will probably have both—your *conduct* should be uniformly respectful to all. Whenever your opinion is asked, or given, without solicitation, state your views modestly, and in a conversational tone of voice. Should the "Board" differ from you in judgment, and decide contrary to your convictions, betray no feeling, but promptly and cheerfully execute their vote.

Frequent communications with the directors, relative to the general concerns of the bank and to your own particular duties, will be of essential service: since *they* will thus obtain a knowledge of details, and *you* will have the benefit of their reflections and suggestions. "Conference," says the wise Lord Bacon, "maketh a ready man."

Your style of living is a matter of momentous consequence; and, possibly, the hinge on which your final destiny will turn. Not only live within your income, but so regulate your expenses that, unavoidable misfortunes or sickness excepted, you shall be sure to save at least a quarter part of your salary, as a fund for old age, unless, indeed, your patrimonial estate be ample for such a purpose.\* But, whatever be your receipts or expectations from other

\* I designed to say a word in the text on the subject of salaries. As a general rule, the compensation to bank officers is too small. According to a return to Parliament, in 1832, the number of persons employed in the Bank of England and its branches, was nine hundred and forty, who (to average the salaries) received only £225, or about eleven hundred dollars each, per annum. Since several who filled the higher posts were paid very much larger sums, it is evident that a considerable part of this numerous corps could not have received more than a moiety of the above average. Yet, as at the same time there were one hundred and ninety-three on the pension list who enjoyed annually (on the average) £161, or about eight hundred dollars each, the faithful officers of that institution who were then in actual service, could hope for relief in their declining years. In the United States, the system of pensions is not, perhaps, practicable or desirable. But since marriage, a flock of little ones, *the owning of a house unincumbered with mortgage*, and a choice collection of books, are all Virtue's sentinels, directors ought always to have reference to the support of a family in fixing the compensation of their executive officers. Indeed, such officers, like capable and faithful men in other pursuits, should be allowed to provide something for old age. It is fair, I suppose, to assume that the expense of the executive department, as a common thing, is not far from one per cent. on the capital stock, or, in the proportion of one thousand dollars salary to one hundred thousand dollars capital. If this be so, it is manifest, at a glance, that a large part

sources, do not allow your expenditures to exceed your personal earnings. Be this the great economic maxim of your life.

Economy is the parent of honesty, of freedom, and of mental ease and quiet. Poverty can never enter your abode, if content with satisfying your real wants; while you will never enjoy independence, if you live in accordance with the world's caprice.\* If you possess an inordinate craving for great wealth, or a desire to indulge in luxuries and amusements such as men of fortune alone can afford, you have mistaken your profession, and should abandon it. For your life, if you remain in it, will be a perpetual struggle against your natural inclinations; and the danger is, that, finally yielding to them, you will involve yourself in irretrievable woe.

The road to disgrace is short. Persons who have traced the footsteps of more than one unhappy bank officer that has trodden it, have found that extravagance and defalcation were but a few strides apart.† A sensual man is disqualified, by his very physical organization, for *any* office in the executive department of a bank, and ought no more to be there than in a pulpit. I make the remark considerably—for good reasons—and not to round out a period. And should this essay meet the eye of the father of a son ready, by age and education, to enter upon some employment, I venture to counsel that, if banking be thought of, the moral qualities and the strength of the appetites, as developed in early life, are the first things to be considered. The youth who, in childhood, stole slyly to the closet for his mother's sweetmeats, who was never content at table with the share of niceties allotted to him, who shirked his known tasks, and imposed their performance upon a younger and more dutiful brother, and who, as years wore on, evinced a disposition to rely upon others, and to earn nothing for himself, but yet who showed a determined purpose to feed on the best, and to dress in the finest—such a youth, though as quick at figures as Colburn himself, should never be placed in a bank.

"Speculation in stocks" is another fruitful source of ruin, and I cannot forbear a word of admonition. The careful investment of your earnings or patrimony, and a similar service for friends and customers, define, in my judgment, the general limits of your operations in the stock market. To say nothing of the hopes and fears consequent upon the adventures of a dealer, and nothing of their

of the bank officers in the United States (as gentlemen are now *compelled* to live both in city and country) are required to consult the maxims of "Poor Richard" every day in order to secure a moderate competence. The interests of stockholders are not promoted in the long run, by low salaries, for low salaries not infrequently, as experience shows, induce speculations in stocks, and other irregularities, which terminate in defalcation. As a class, bank officers are not so well paid as officers of railroads and manufacturing establishments, while their duties are quite as responsible.

\* The great English banker, Thellusson, who, at one time, was partner with Mr. Neckar, the celebrated French financier, left three sons, and a fortune of three and a half millions of dollars, which estate, he said, he acquired by "industry and honesty." In his will he remarks: "*It is my earnest wish and desire that my sons avoid ostentation, vanity, and pompous show,*" etc. The three, it may be added, became members of the House of Commons, and the eldest, a peer of the realm.

† "The London banker of the old school," says Mr. Lawson, "had little resemblance to the modern gentleman who is known by the same title. He was a man of serious manners, plain apparel, the steadiest conduct, and a rigid observer of form lities. As you looked in his face, you could read in intelligible characters that the ruling maxim of life, the one to which he turned all his thoughts and by which he shaned all his actions, was: '*That he who would be trusted with the money of other men should look as if he deserved the trust, and be an ostensible pattern to society of probity, exactness, frugality, and decorum.*'" And further, says the same writer: "The fashionable society at the West End of the town, and the amusements of high life, he never dreamed of enjoying, and would have deemed it nothing short of insanity to imagine that such an act was within the compass of human daring, as that of a banker lounging for an evening in Pop's Alley at the opera, or turning out for the Derby with four grays to his chariot, and a goodly hamper swung behind, well stuffed with perigord pies, spring chickens, and iced champagne."

influence upon your mind and temper—already sufficiently tasked—I may ask, in all seriousness, what assurance have you, what assurance can you have, that your virtue will resist the temptations sure to beset you? Once embarked and afloat on the stock exchange, either alone or with partners, you cannot move without means: and who shall answer for the money intrusted to your care? Who shall answer that you will not “borrow” from your vault—as others have done—feeling sure that you can “return” the sum you need “in a few days with interest?” At the outset you will not “risk much;” you desire only “to gain something to add to a moderate salary.” But encouraged, at length, by your own success in small operations, or excited by the real or reported good fortune of those around you, the resolution *may* be formed to win a competence at a single cast of the die: you lose, and are ruined! Be warned, I entreat, in time. No bank officer—in charity, we may believe—ever meant to be a defaulter; no one, at the beginning of an irregular course, thought defalcation and disgrace possible. Yet, alas for the many victims of self-deception! alas for the self-confident, and for those who neglected the great duty of self-examination! Most affectionately and earnestly do I charge you, as you value your peace, as you would save your integrity, as you would not be driven forth, a broken and shunned man, to resist every seduction of avarice from within, and every solicitation of companions from without. No matter what pretence or excuse a stifled conscience may allow you to frame, *the cash in your vault is not your cash, and you touch it for your private benefit, or relief even, as a robber, and at the peril of your soul!* Think, ere you yield, of the long roll of sad-faced men who once were honored and trusted, but who, when tempted, fell! Think of those who, wrecked in character, in fortune, and in hope, have become bloated, ragged wanderers! Think of those of whom fathers and mothers, and even wives and children, dare not speak save in whispers, and at the family fireside! Think of those who have been hurried to the prisons and to the tribunals! Think of the graves of the suicides!

A single warning more, and I pass to less painful topics of discourse. Allow no customer to overdraw his account upon your own responsibility or without the express sanction and authority of directors.\* The habit is a bad one, every way, under *any* circumstances; and I wish it could come to an end at once, everywhere and forever. But if it be permitted in particular cases in your bank, have neither part nor lot in the matter, save to execute a positive order. Discourage the practice in every possible manner, and if fortunate enough to put an end to it, you will deserve the praise of every correct banker in the country. At your post, and in bank hours, you are to have no friends to indulge with favors, no enemies to punish with refusals. Then and there all men should be alike to you. The motto of the *Banker's Magazine* should be yours, without reservation or condition.† In fine, perform no act that you would omit in the presence of the full “Board,” or in that of the sureties on your official bond. This rule will carry you safely through every difficulty and every temptation.

Pardon me if I now suggest the importance of maintaining a reputation for strict, exact veracity. An aged judge is said to have

\* I believe that no customer of the Bank of England, whatever his rank, is allowed to overdraw.

† “No expectation of forbearance or indulgence should be encouraged. Favor and benevolence are not the attributes of good banking. Strict justice and the rigid performance of contracts are its proper foundation.”



remarked, ironically, that "half the cases he had tried on the bench arose from *good understanding* between the parties;" and by this he meant, that half-made bargains and agreements lead to disagreement and litigation. Avoid misunderstandings from this source. Many, indeed most, of your transactions will be upon verbal contracts. But you may use words so terse, so precise, that misconception will be hardly possible.

The honor of a cashier and the honor of a woman are alike. Suspicion of either in the public mind is as fatal to reputation as convicted guilt. Stand by, stand for *your* honor, then, against all comers, and to the last. Preserve your own respect, though you be fed by the hand of public or of private charity. Napoleon, at the hour of his downfall, deposited the remains\* of his fortune with Laffitte, and refused an offered and customary certificate, saying: "I know you—I hold you to be an honest man." The Paris banker, in the course of events, became a cabinet minister; but such a testimonial to his probity from a man whose estimate of human virtue was too low to be just, and who, at the moment he uttered it, was, as he imagined, the victim of faithlessness and treachery, will be remembered when the records of his political honors are torn and scattered. But yet, any man, in his own circle, may, if he will, have it said of him: "I know you—I hold you to be an honest man." My young friend—now starting upon a banker's career—burn these words deep into your memory!

As in some things there are marked distinctions between banks in different sections of the country, and between country and city banks in the same State, and corresponding differences in the duties of a cashier, it is obvious that no series of "suggestions" can be alike applicable to all. But I may still hope that the *young and inexperienced* officer will not fail to find *some* useful hints in the preceding remarks, whatever his particular position or special charge.

And while this may be so, the country cashier may yet need cautions and recommendations adapted to his peculiar official and social relations. Such, then, as I deem the most important, I shall briefly and respectfully offer. First, as it sometimes happens that the person selected for the executive department has had little or no experience in banking, and is to be connected with directors whose knowledge is as limited as his own, the duty of consulting well-informed officers of city banks is manifest. The country cashier is often alone. Without paying or receiving tellers, bookkeeper, or discount or collection clerks, but invested with the functions of all, skill, system, and an economical use of time, are indispensable to success. I have known gentlemen who, though possessing quick and clear perceptions, and almost every other natural endowment, were still, at the time of their election, incapable of opening or of properly keeping a single bank-book. Some of these, remarkably cautious in their habits of business, and profiting by mishaps, escaped serious losses, and, in the end, became accomplished officers; while others, more sanguine in temperament, and more self-confident, and unwilling to *seem* novices, involved themselves in difficulties which caused them much mental disquietude and pecuniary embarrassment. Now, it is apparent at a glance, that both classes, had they started right, might have avoided a great deal of painful experience.

I commend to you, therefore, if not bred to banking, the sources

\* Five millions of francs.

of information, which are open to you, and to all who desire to increase their knowledge. Accuracy in the count of money is the first, accuracy in the keeping of accounts is the second, qualification in a country cashier; and, while you may acquire the first by practice, you may go wrong with your records all your life.

A small bank should be conducted on a plan as systematic and as regular as a large one. Experience has shown, I think, that bank accounts should be kept in "double entry," and that each department of bank business requires a separate book. Thus in an institution with a capital of only fifty thousand dollars, I consider that a general and deposit ledger, that books for cash, deposits, discounts, credits, collections and trial-balances, are as essential as in one of a million of dollars. And the same remark is true of stockholders' and directors' records, of a book to show the state of the bank, and of another to exhibit the paper to mature in any given week.

The general and the deposit ledger may be one; the former occupying some seventy-five or one hundred pages, and embracing accounts with *things*, the latter with *persons*. The cash should be settled daily at the close of business, when, also, a trial balance should be taken of the general ledger postings. On the last business day of the month, the depositors' accounts should be adjusted, and the balance of each be transferred to the trial-balance book to ascertain whether the deposit ledger has been correctly posted. The daily settlement of the cash—neglected in *some* country banks, unless the reform has been very recent—need occupy but a few minutes, since a vault-book accurately kept, leaves for actual count the cash in drawer only. "Memorandum checks," and similar vouchers—to say nothing of the grave consequences which sometimes result from their use—are great pests in a cashier's drawer, and should not be allowed there, except in the most urgent cases. Some cashiers keep "ragged bills," never intended to be reissued, in vault for months, and even years; but the practice is attended with obvious risk and inconvenience, and should not exist.

As already intimated in another connection, your directors, however worthy and respectable as citizens and gentlemen, may be poorly versed in the science of banking, and may not, at first, appreciate the force and the reason of the rules which you deem necessary to adopt in transactions with them and with others. But evince no impatience. I assume that a majority of any and of every "Board" are men of honor, and mean to do right; and that, in explanations and conversations with yours, you have but to calmly point out the evils likely to arise from a course opposite to that which you insist upon, to obtain their approbation. Yet you yourself should be well assured that these rules are consonant to law, or are such as are imposed in well-regulated banks, or such as, in your peculiar position and relations, are imperatively demanded.

It is possible that your predecessor allowed improper indulgences to a particular director, or had favorites among your customers, and that you will feel constrained to put an end to these and to similar irregularities. To accomplish this, in harmony, will require all the wisdom and good-nature that you can command. It is possible, too, that overtures may be made to you to grant favors inconsistent with your duty; but, as such cases will arise from thoughtlessness

or ignorance, as often as from unworthy motives, you should be silent, except when corrupt intentions are too apparent to be mistaken, or the importunities of the same person become so frequent as to be troublesome.

The customers of a country bank, unlike the merchants of large and busy cities, expect of the cashier some inquiries about their families, and remarks upon the news of the day, upon the crops, the weather, and other matters of personal or local interest. To a reasonable extent this expectation should be gratified. But discussions across your counter on topics of sectarian theology and party politics are to be avoided—entirely avoided. Nor, if you hear, should you reply to, or take part in, tales of scandal and neighborhood gossip. Polite to all, sociable to a degree not to interfere with your duties, inviting and giving friendly greetings, your deportment is yet to be dignified, and such as becomes a well-bred gentleman.

You will transact business with persons who cannot even write a note of hand in proper form; with those who cannot be made to acknowledge the necessity of a notice to an indorser; and with those who will pertinaciously insist upon having their own way, whatever your reasoning or objections to the contrary. Teach the ignorant, without giving them pain; be firm with the self-willed, without evincing impatience or anger; for the smart of a sharp word, or of a proud toss of the head, is sometimes felt for years. "Contempt," says an Eastern proverb, "will penetrate the shell of a tortoise;" be sure to remember it will pierce deeper into the epidermis of a fellow-man.

To require, and to insist upon, regular bank hours will occasion *some* difficulty in *some* places. People whose business at banks is rare, seem to forget that a cashier, like other men, has a love of fresh air, or that he needs exercise and relaxation; and thus cannot or will not understand why he is not ready to accommodate them early in the morning, and late in the evening. These persons seek him in his moments of rest and recreation, ask him to receive money at his house, or in the village stores, and complain if he refuses such *reasonable* requests. You will be unjust to yourself if you submit to these, or to similar demands. The intervals between bank hours are yours by positive contract, and by the very necessities of your physical and mental being. Do not permit inroads upon them, save in extraordinary exigencies; in these, leave your bed even, to serve a customer. Still, as loose and unsafe habits may have been encouraged by your predecessors, or countenanced by directors, measures of reform will be odious, unless gradual. Under kind and considerate treatment your laggards may become punctual, and untimely requests to open your vault entirely cease.

A single "suggestion" more. The private and social relations of a country cashier are of consequence, and ought not to be overlooked. And, first, a salary officer, under ordinary circumstances, needs not to be in debt for his personal or family expenses; and, as cash payments are sure to show whether he is "living beyond his means," may I not commend the safe rule of "paying as you go?"

Again, may I not be allowed to suggest the duty of constant attendance at church, even though you cannot worship with persons of your own faith; and also of manifesting an interest in schools, public lectures, lyceums, and other means employed to promote the

welfare of society? The community in which you live have a claim upon you, not only for an exemplary life, but for contributions of money in proportion to your ability, to aid in the maintenance of the religious, literary and benevolent associations established among them.

To conclude. Should it be thought that I might have omitted the discussion of some topics, and have treated others with greater brevity, I submit, with deference, that I have endeavored to be a careful observer. More than twenty-five years have elapsed since the commencement of my connection with banks and banking; and, as I now look back and recall the facts elicited by judicious inquiry, and the facts embraced in other well-authenticated accounts which relate to bank officers who have fallen, never again to rise, or whose lives have been saddened and embarrassed by want of firmness in resisting the allurements of pleasure, or the solicitations of the companions of their social hours—by an overweening self-confidence—by too great faith in others; as, too, I remember the complaints against another class, who, though without a moral stain, have still injured themselves and the institutions with which they are concerned by churlishness and irritability; I find no cautions and admonitions to omit, no recommendations that may not, I think, assist in forming the character of the officer for whom these suggestions are intended.

A single word more. Many of the cashiers whose private virtues and professional ability adorn the annals of banking in the United States, receive salaries nearly equal to the emoluments of cabinet ministers, or military officers of the highest rank, and are intrusted with powers so ample, that they seem to be private bankers, wielding their own capital. These gentlemen have attained the crowning honors of their profession. Let the "young cashier" aim to reach the same eminence among men and among bankers. Let him remember that, whatever the influence of friends at the outset of his career, his position in the maturity of his years must, in the very nature of things, depend upon himself, upon his capacity, his courage, and his probity.

I have here spoken to him as to my only son, and take my leave, in the earnest hope that, in the labors of some one of his seniors, communicated to the "Magazine" upon the invitation which, perhaps, I have unwisely accepted, he will be sure to find a path marked out for him which will lead him to the rewards of a well-spent life.

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CHEVALIER, in his *Letters from America* (1836), says of the notes of the Bank of France that they were "current only in Paris," and that metallic money was used exclusively everywhere else in France. The total circulation of that bank was about \$40,000,000, and there was no other note-issuing institution in the country. He estimated its coined money at that time at \$550,000,000. Of late years bank notes are at least as acceptable as metal in all parts of France. The exclusive use of them during the disappearance of coin caused by the misfortunes of the Prussian war, seems to have cured all the popular prejudices against paper, and the bank is now issuing great quantities of notes of the denomination of fifty francs.

OBLIGATION OF BANK TO PAY DEPOSITOR'S NOTE  
DUE AT ITS COUNTER.

PENNSYLVANIA SUPREME COURT, APRIL 14, 1884.

*Commercial National Bank v. Henninger.\**

Assumpsit by the Commercial National Bank of Reading against Charles Henninger, upon two promissory notes indorsed by defendant. Pleas, non-assumpsit with leave, etc. On the trial, before Hagenman, P. J., the following facts appeared: Charles Henninger, the defendant, sold to B. F. Young certain shares of stock in the Pennsylvania Graphite Mining Company, and received therefor his three promissory notes made payable at the Commercial National Bank of Reading, of which Young was the cashier, three, six and nine months after date respectively. They were indorsed by Henninger and discounted by the said bank. Young, the maker, alleging that Henninger had defrauded him in the sale of the Graphite stock, resolved not to pay the said notes, and at the time of the maturity of the second, handed it and the first, which he had renewed, to a notary, who made demand at the bank for payment. Young, the maker, as cashier of the bank, answered that the notes had not been provided for, whereupon they were protested, and notice thereof given to Henninger. He paid the third note when it matured, but refused to pay the first and second, and the bank brought this suit to charge him as indorser.

Defendant offered to prove an agreement by Young, as cashier, at the time of the giving of the notes that Henninger's indorsement should impose upon him no obligation to pay, but should operate merely as a transfer of the notes, and further to show that if this transaction between Young and Henninger was unauthorized by the bank, the latter was protected from loss by shares of the capital stock of the bank owned by Young and by his bond as cashier. All of which was objected to by the plaintiff as irrelevant. Objection overruled. Exception. (First, second and third assignments of error.) Defendant also offered to prove a custom among the Reading banks to charge notes made payable at the bank to the account of the maker, without any special direction from the maker so to do. Objected to by plaintiff as irrelevant. Objection overruled. Exception. (Fifth and sixth assignments of error.)

Defendant further offered in evidence Young's account with the plaintiff bank on February 28, 1882, to show that at the time of the maturity of the notes there were funds on deposit to his credit sufficient to have paid the same. Objected to by plaintiff as irrelevant. Objection overruled. Exception. (Fourth assignment of error.)

Mr. Young testified that the sum deposited to his credit at the time of the maturity of the notes had been raised by the sale of certain securities for the purpose of paying notes other than the ones in suit, and subsequently maturing, and the said balance was actually applied to the payment of such other and subsequently maturing notes. There was no other evidence upon this point.

\* S. C., 15 Week. Notes, 33.

The plaintiff requested the court, *inter alia*, to charge: (1) A bank is not bound when a note owned by it, and made payable at its banking house, becomes due, to appropriate moneys of the maker on deposit with it to the payment of the note. The indorser has no right to ask that the bank shall do so.

Answer. We answer and charge that if Mr. Young had a deposit in bank sufficient to pay these notes on the day they became due, and there were no circumstances shown in the case that would forbid the bank from so doing, the bank was obliged to charge up these notes against Mr. Young's deposit. Especially was the bank required to do so if the jury find that there was some understanding between the cashier and the president that the defendant would not be called upon to pay these notes, and such credit would be no injury to the bank. (Eighth assignment of error.)

(2.) If the jury believe that B. F. Young made the deposit, which composed the balance in bank at the time of the maturity of the notes in suit, for the purpose of paying notes other than the ones in suit, he had a right to appropriate said balance to the payment of such other notes; and the defendant was not released from his liability as indorser of the notes in suit.

Answer. If the jury believe that Mr. Young made a deposit, with the specific agreement with the bank at the time it was made, that the money so deposited was to be used for other notes, then the defendant would not be released from his liability. But the jury will carefully consider the evidence. The deposit was credited on Mr. Young's general account without any entry that it was for a special purpose; and the only evidence of any special purpose is the testimony of Mr. Young, who was the depositor and cashier. He does not say that he ever notified any other officer of the bank of the disposition he intended to make of this deposit. And so far as the evidence goes, it seems to have been an understanding he had with himself. (Ninth assignment of error.)

Verdict for defendant and judgment thereon. Whereupon plaintiff took this writ assigning for error, *inter alia*, the admission of the testimony excepted to, and the answers of the court to the points above set forth.

PAXSON, J. The fourth and eighth assignments raise the prominent questions of this case. The fourth alleges error in admitting in evidence the account of Mr. Young with the bank on February 28, 1882, for the purpose of showing that there were funds on deposit to his credit sufficient to have paid the notes in controversy; while the eighth alleges the court erred in instructing the jury, in answer to the plaintiff's first point, "that if Mr. Young had a deposit in bank sufficient to pay these notes on the day they became due, and there were no circumstances shown in the case that would forbid the bank from so doing, the bank was obliged to charge up these notes against Mr. Young's deposit. Especially was the bank required to do so if the jury find that there was some understanding between the cashier and the president that the defendant would not be called upon to pay these notes, and such credit would be no injury to the bank."

The defendant was the indorser of the notes in suit. The maker was B. F. Young, who was also the cashier of the bank. The notes had been discounted by the bank, and were payable there on the day they matured; at the close of banking hours there was on deposit to the credit of Mr. Young a balance sufficient to

meet the notes. Instead of charging up the notes against the deposit, the cashier handed them to a notary for protest. The object of this was to hold the indorser, and compel him to proceed against the maker in order to let in a defence which the maker could not set up against the bank. The defendant contends that the failure of the bank to charge up the notes against Mr. Young's deposit relieved him as indorser.

That there were no circumstances in the case to prevent the bank from applying the deposit to the notes has been found by the jury. There is no doubt as to the right of a depositor to control his deposit up to the point where the rights of others attach. He may draw it out by his check; he may apply it to a particular purpose by making it a special deposit, or by specific directions communicated to the bank. None of these things is found in the case. The mere mental intention of the depositor, not communicated to the bank, is of no importance. While the right of the bank to charge the notes against the deposit is not disputed, it was at the same time contended that it was under no duty to do so, and that its failure to make such application did not discharge the indorser.

It is to be observed that the bank was the owner of the notes, and not a mere collecting agent. The difference is obvious. The position of the bank was this: It was a creditor of Mr. Young to the amount of the notes discounted; it was the debtor of Mr. Young to the amount of his deposit, and to that extent was in law bound to honor his checks or drafts; it held the defendant as security on the notes by reason of his indorsement thereof; the deposit exceeded the notes, and it had the undoubted right at the close of banking hours on the 28th of August to charge the notes against the deposit. Was it bound to do so as between the bank and the indorser?

In order to discuss this question intelligently we must not lose sight of the peculiar character of a bank deposit. The money deposited does not, as is popularly assumed, continue to be the property of the depositor. It becomes the money of the bank the moment it is deposited. The depositor becomes the creditor of the bank, and as before observed, the bank is his debtor, and is in law bound to honor his drafts to the extent of his deposit. *Foley v. Hill*, 1 Phillips 399; *Bank of Republic v. Millard*, 10 Wall. 152; *Carr v. National Security Bank*, 107 Mass. 45. When the depositor becomes indebted to the bank on one or more accounts, and such debts are due and payable, the bank has the right to apply any deposit he may have to their payment. This is by virtue of the right of set-off. Where a general deposit is made by one already indebted to the bank, the latter may appropriate such deposit to the payment of such indebtedness. This results from the general doctrine of the application or appropriation of payments. And it may be safely asserted that as a general rule, the former may waive the right to make such application, and allow the depositor to draw out his balance. Where, however, the rights of third parties intervene the case is sometimes different. The distinction between the liability of a bank to a customer and to a third party is thus defined in *Morse on Banks and Banking* (2 ed.) p. 47: "A bank holding a note of a depositor is under no obligation to appropriate a sum sufficient to meet it from funds on deposit immediately upon its maturity, or indeed at any other particular time; they may let the account run on and take the chance that they will not lose in

the end. But as toward third parties, the obligation upon the bank is different, and it has been decisively and properly held that the neglect of the bank to make such an appropriation of the principal debtor's funds would discharge the indorsers and sureties."

The rule is well settled that "when a creditor has in his hands the means of paying his debt out of the property of his principal debtor, and does not use it, but gives it up, the surety is discharged. It need not be actually in the hands of the creditor. If it be within his control, so that by the exercise of reasonable diligence he may have realized his pay out of it, yet voluntarily and by supine negligence relinquished it, the surety is discharged." *Fegley v. McDonald*, 8 Nor. 128; citing *Com. v. Vanderslice*, 8 S. & R. 452; *Everly v. Rice*, 8 Harris 297; *Boschert v. Brown*, 22 P. F. S. 372, and other cases.

This familiar rule applies to banks as well as other creditors. It was held in *Kuhns v. The Westmoreland Bank*, 2 Watts 136, where it was ruled: "The lien which a bank has, by virtue of the seventh section of the act of 21st of March, 1814, upon the stock of its debtor, results for the benefit of the surety of such debtor; and such is that resulting interest that the surety cannot be deprived of it. Hence, if the bank permit the stock of such debtor to be sold, and its proceeds applied to discharge a debt due to the bank by the same debtor, which originated by a note of subsequent date, the surety in the first transaction will be thereby discharged."

*Ramsay v. Westmoreland Bank*, 2 P. & W. 163, was a suit against a surety. The facts and the law of the case are sufficiently explained in the following extract from the opinion of the court: "The note on which the suit was instituted had been drawn by William Johnson and indorsed by John Ramsey; he was then a mere surety, and as such entitled to be favored in the law. The evidence he offered was to prove, and would have proved, that a large balance arising on the sale of real estate of William Johnson was in the hands of the sheriff, which was subject and liable to the judgment of the bank, and would have been obtained if due diligence had been used. The case then, if proved as offered by the plaintiff in error to the court below, would have come within the principle stated by the present chief justice in *Com v. Millar's Administrators*, 8 S. & R. 457, 'that no rule in equity was clearer than that where a creditor has the means of satisfaction in his hands, and chooses not to retain them, but suffers them to pass into the hands of the principal, the surety can never be called upon.' Here, to be sure, the bank had not the balance actually in their hands, nor did they actually assent to its passing into the hands of Johnson, but they might by using due diligence, and by doing their duty to the surety, have obtained it, and thus have had satisfaction *pro tanto* on their judgment from the proceeds of the real estate of the real debtor, and it was their duty to have done this. The money thus obtained from the sale of real estate of Johnson, on which the bank's judgment was a lien, was actually brought into court. Johnson could not take it out of court, but the bank could have done so, and if they did not, they must lose it, for having had the means of payment in their power they could not pass them by and recover from a surety."

*Ramsay v. The Westmoreland Bank* was approved in the subsequent case of *Sitgreaves v. The Bank*, 13 Wright 359, and the same



principle has been recognized and followed in numerous later cases, including *Fegley v. McDonald*, *supra*. Is it applicable to the case in hand? Of this we are in no doubt. The bank being indebted to Young when his notes matured in an amount exceeding the notes, the latter had the clear right to set off so much of his deposit as was necessary to meet the notes. The defendant as surety was entitled to avail himself of Young's right. It may be illustrated thus: If I am the holder of A's note indorsed by C, and when the note matures I am indebted to A in an amount equal to or exceeding the note, can I have the note protested and hold C as indorser? It is true A's note is not technically paid, but the right to set-off exists, and surely C may show in relief of his obligation as surety that I am really the debtor instead of the creditor of A. If this is so between individuals, why is it not so between a bank and individuals?

Further, the note in controversy was payable at the bank. An acceptance or promissory note thus payable is, if the party is in funds, that is, has the amount to his credit, equivalent to a check; and it is in effect an order or draft on the banker in favor of the holder for the amount of the note or acceptance. *Etna Nat. Bank v. Fourth Nat. Bank*, 46 N. Y. 88. I do not understand this principle to be disputed. The note, therefore, was a draft on the bank against the deposit of the maker. It was the equivalent to a peremptory order on the bank to pay, or to speak more accurately, to charge the notes against the deposit. And the jury have found that there was no direction on the part of the depositor to interfere with this. It must be conceded that if the deposit had been special, or if previous to the maturity of the note, any arrangement had been made between the depositor and the bank by which the bank had been forbidden to apply the money in its hands to the payment of these notes, the indorser would not be discharged. As was held in *Bank v. Speight*, 47 N. Y. 668: "If before the maturity of paper held by a bank against a depositor, an arrangement is made by which the bank agrees to hold the deposit for a specific purpose, and not to charge the note against it, the bank may be regarded as a trustee, and the deposit special. In such a case, in the absence of fraud or collusion, an indorser upon such paper has no right to require the application of the deposit toward the payment of the paper upon its maturity."

*Bank of Wilkesbarre v. Legrand*, 13 Week. Notes 317, is not in conflict with this view. The precise question we are considering was not decided in that case. There Lowenstein had not sufficient funds in the bank to pay the note at the time it matured. Subsequently he made a special arrangement by which he was to continue to do business with the bank, and it was alleged the time of payment had been extended. At several times after this he had sufficient money on deposit to pay the note. The court below subsequently entered judgment against the bank upon the ground principally that the indorser was discharged by the extension of the time, which judgment was subsequently reversed by this court. It needs but a cursory examination of that case to see that it does not rule this.

Nor do the other cases cited by the plaintiff sustain his contention. In *Bank of United States v. Carneal*, 2 Pet. 543, the question was whether the indorser was discharged by a failure to make demand upon the maker. The note was payable at the bank, the demand was made there, and it was said by Justice Story: "Where

a note is payable at a bank it is his (the maker's) duty to be at the bank within the usual hours of business to pay the same."

*Strong v. Foster*, 84 Eng. Com. Law 201, was not the case of an indorser, but of one of the makers of a joint and several promissory note who claimed to be a surety. It was at least doubtful whether he was a surety; his position on the note did not make him so, and there were no funds to the credit of either of the makers when the note matured. On the contrary, the balance was against them. The court held, under the circumstances of the case, that the failure of the bank to apply a subsequent deposit to the payment of the note did not discharge the defendant, and intimated the opinion it would not have discharged him even had he been a surety.

In the *National Mahaiwe Bank v. Peck*, 127 Mass. 302, it was ruled that: "Where by express agreement, or by a course of dealing between a bank and one of its depositors, a certain note of the depositor is not included in the general account between them, any balance due from him to the bank when the note becomes payable is not to be applied in satisfaction of the note, even for a benefit of a surety thereon, except at the election of the bank." The bank had discounted for B a note signed by him as treasurer of a town and indorsed by P, the proceeds of which were to be used by B in his official capacity. Neither the note nor its proceeds were made part of B's personal account with the bank. At the time that note matured the bank held the personal note of B, which would mature the next day, and which exceeded the amount then standing to the credit of B's personal account. As soon as the personal note matured, the president of the bank directed the cashier to apply the balance of B's account to the personal note. Three days after, P presented a check to the bank, signed by B, in which he directed the balance of his account to be paid on account of his official note. The cashier refused so to apply it because of the direction he had received. *Held*, in an action by the bank against P on the official note, that neither he nor B could insist that the amount standing to B's credit at the maturity of the note should be applied to the payment of the note in suit. It will be noticed that the official note did not enter into B's personal account, and that before B's check had been presented at the bank the latter had applied his personal deposit in part payment of his personal note which had matured. Its right to do so is apparent.

As the principles above indicated control this case, a discussion of the remaining assignments is not necessary. To avoid misapprehension, it is proper to say however that the offers of testimony embraced in the first three assignments of error were irrelevant, and should have been excluded. The bank was a holder for value, and the facts set forth in the said offers did not constitute a defence. But the admission of the evidence under these offers did no harm, and it is settled law that for immaterial errors this court will not reverse. Nor is it essential to criticize the admission of the testimony in relation to the custom of the Reading banks to charge a note made payable at the bank against a deposit standing to the credit of the maker. Such a mode of dealing could hardly have the force of a custom considered in its legal sense. But as a course of commercial dealing it was perhaps competent, and at most it merely showed that the banks did what they had a conceded right to do aside from any such custom or usage.

*Judgment affirmed.*

## LEGAL MISCELLANY.

**BANK—RECEIVER—SET-OFF BY DEPOSITOR.**—The capital stock of the bank is the trust fund for the security and payment of the creditors, and it is the duty and legal obligation of the stockholders to pay it in according to their agreement in order that it may be applied to the payment of the debts. A stockholder is not relieved from that duty and obligation by the fact that he is a creditor. To permit him to set-off the debt due him would, where the corporation is insolvent, manifestly give him a preference as a creditor. To this he is not entitled. It is the right of the other creditors to have him pay in the money due from him for stock as part of the fund for the payment of the debts. The principle has frequently been enunciated, and is established. *Stockton v. Mechanics' and Lab. Sav. Bank*, 5 Stew. Eq. 163; *Vanatta v. N. J. Mut. L. Ins. Co.*, 4 id. 15; *Sawyer v. Hoag*, 17 Wall. 610; *Lawrence, Receiver, v. Nelson*, 21 N. Y. 158; *Wood v. Dummer*, 3 Mason 308; *Hillier v. Allegheny Ins. Co.*, 3 Penn. St. 470; Grissell's case, L. R. (1 Ch. App.) 528; *Black & Co.'s case*, L. R. (8 Ch. App.) 254. [*Williams v. Traphagen*, New Jersey Court of Chancery.]

**OFFICERS—WHEN BANK NOT BOUND BY.**—Neither the president nor cashier of a bank organized under the laws of a State has the power, *virtute officii*, to sell the safe of the bank for a debt of the bank. This court, in the case of *National Bank v. Drake*, 29 Kans. 325, said: "The directors constitute the governing body of the bank, the bank itself being an incorporeal entity, without power to see or know. The directory constitutes the visible representative, the thinking, knowing, head of the bank." Morse on Banks and Banking, 107, thus states the rule: "The general control and government of all the affairs and transactions of the bank rest with the board of directors. For such purposes the board constitutes the corporation, and uniform usage imposes upon them the general superintendence and active management of the corporate concerns. The cashier is the executive of the financial department of the bank, and whatever is to be done, either to receive or pass away the funds of the bank for banking purposes, is done by him or under his direction; he, therefore, directs and represents the bank in the reception and emission of money for banking objects. *United States v. Bank*, 21 How. 356; *Merchants' Bank v. State Bank*, 10 Wall. 604; *Com. Bank v. Norton*, 1 Hill. 501. But neither the president nor cashier can impose, by his own action, on the bank any liability not already imposed by law or usage; nor can they bind the bank, in the absence of authority from the directors by any agreements or contracts outside of the range of their duties. *Bank v. Dunn*, 6 Pet. 51. The mere fact that they had conducted the business of the bank gave them no authority to make the sale. As these officers had no power to execute the bill of sale, and as it is not claimed that the directors ever ratified their act, the plaintiff below was not the owner of the safe at the commencement of her action. *Bank v. Dunn*, 6 Pet., *supra*; *Bank of Metropolis v. Jones*, 8 Pet. 16, 17; *Adriance v. Roome*, 52 Barb. 399; *Walworth County Bank v. Farmers' Loan & Trust Co.*, 14 Wis. 325; *Chicago & N. W. Railroad v. James* 22 id. 194; *Blood v. Marcuse*, 38 Cal. 590; *Angell & Ames on Corp.*, § 298, pp. 322, 323. [*Asher v. Sutton*, Sup. Court of Kansas.]

**TAXATION—SHARES OF NATIONAL BANK—ACT OF 1883, CH. 345—VALIDATING LEGISLATION.**—(1) The Legislature of a State cannot validate a tax which is prohibited by the laws of the United States but it is competent for it to sanction retroactively such proceedings in the assessment of a tax as they could have legitimately sanctioned in advance. (2) In the Act of 1881, ch. 271, Laws of New York, the fatal vice was the denial of an opportunity to those assessed to be heard and permitted to obtain the deductions and corrections allowed by the general system of assessments. *Albany City National Bank v. Maher*, 9 Fed. Rep. 884. (3) The general rule has often been declared that the Legislature may validate retrospectively any proceeding which they may have authorized in advance; and it is immaterial that such legislation may operate to divest an individual of a right of action existing in his favor or subject him to a liability which did not exist originally. In a large class of cases this is the paramount object of such legislation. (4) If it was within the power of the Legislature to provide for the collection of a tax by a system which requires the taxpayers to pay in advance of an opportunity to be heard, but permits them to have a subsequent hearing and to obtain restitution, if restitution ought to be made, the validating Act was constitutional. Undoubtedly it is beyond the power of the Legislature to validate the acts of taxing officers of a character which cannot be justified as an exercise of the taxing power; as where a part of the property in a taxing district should be assessed at one rate and a part at another, or if persons or property should be assessed for taxation in a district which did not include them. And it is stated in general terms by a text writer of high authority, that a validating Act cannot cure the illegality of an assessment made without any notice to the persons interested. *Cooley Taxn.*, 227, 228. The case of *Marsh v. Chestnut*, 14 Ill. 223, and *Billings v. Delten*, 15 id. 218, are referred to as sustaining the proposition. These were cases where the curative Act was held bad for the same reason that the curative Act of 1881 was held to be nugatory by this court, because it did not provide for an assessment upon notice to the taxpayer, and thus perpetuated the vice of the original assessment. The present Act, as has been said, is framed to obviate this objection. No adjudged case has been cited by counsel or has met the attention of the court where such an Act has been considered. It is asserted in many cases that notice and an opportunity for a hearing of some description are matters of constitutional right; but it has nowhere been declared that it is indispensable that the hearing should be one in advance of the collection of the tax. The operation of the present Act is to preserve substantially to the taxpayers the right of which they were originally deprived, to give them an opportunity to question the justice of the assessment, and to restore to them the sums which were illegally collected of them. In view of the large and almost unlimited discretion which resides in the Legislature to regulate the mode and conditions of taxation, it is believed to be valid and effectual to legalize the proceedings here. (5) In judicial proceedings due process of law requires a hearing before condemnation, and judgment before dispossession; but when property is appropriated to or under the power of taxation, different considerations from those which prevail between individuals obtain. It is not indispensable that a hearing be secured before assessment or before collection of the tax; but is sufficient if reasonable provision is made for a hearing

afterwards, a correction of errors, or a restitution of the tax or part of a tax unjustly imposed. [*Williams v. Board of Supervisors of Albany County*. U. S. Circuit Court S. D. of N. Y., July 23, 1884.]

CHECK—WHEN NOT PAYMENT.—A check on a bank is not *prima facie* evidence of the payment of the original debt; and clearly a check drawn in favor of the debtor's agent is not *prima facie* evidence of the payment of the debt to the creditor, even if the creditor assents that the check shall be so drawn. In order that a check on a bank shall be payment of the original debt, it must be agreed by the parties that it shall be such payment and be taken by the creditor as payment. *Edwards Bills and notes*, § 277. *Kermeyer v. Newby*, 14 Kans. 164; *McCoy v. Hazlett*, id. 430; *Shepard v. Allen*, 16 id. 182, 184; *Medberry v. Soper*, 17 id. 369, 375. [*Mullins v. Brown*. Kansas Sup. Ct.]

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### CASPIAN PETROLEUM.

In an article on "The Oil Supply of the World," in the *Popular Science Monthly* for December, the following account is given: Of the relative merits of Pennsylvania and Caspian oil, it may be said generally that the former yields on an average seventy per cent. of kerosene, with a large residuum of lubricating oil. The latter yields only from twenty-five to thirty-five per cent. of pure oil, and from twenty to thirty per cent. is refuse, only fit for fuel. But here nature seems to adapt her gifts to the need of the recipients, since the American oils flow in the heart of the forests, while in Central Asia the oil-fuel makes existence and travel possible.

As regards quantity, in the year 1872 only 212,000 barrels were saved from the waste at the Caspian wells. In 1881 the amount rescued was 4,000,000 barrels, equal to 160,000,000 gallons. In the same year America produced 1,450,000,000 gallons. Commenting on these figures, Ludwig Nöbel says that the same amount could annually be produced at Baku without the slightest difficulty, but that at present it would be useless to do so, owing to difficulties of cheap transport. As it is, great stores lie waste for lack of purchasers, and the amount wasted is fully equal to that which is exported.

As regards price, which in America has varied from tenpence to one penny per gallon, it has at Baku fluctuated from one shilling and eightpence to one penny. In like manner the barrel of forty gallons of crude petroleum, which in the days of monopoly sold at Baku for eight shillings, has latterly fetched fourpence, and by the latest accounts was further reduced to threepence halfpenny per ton on the spot! This is due to the enormous increase in the supply. Thus, last November a steady-going old well, which for the past ten years has been quietly yielding a fair amount of oil suddenly commenced to play, and thenceforth threw up a daily average of five hundred tons!

The supply is apparently altogether inexhaustible, for already twelve thousand square miles in this region have been proved to be oleiferous, and of this vast surface only six miles are as yet being developed. The oil-bearing stratum is found to extend beneath the Caspian Sea, where it crops up in Tchelikien, a true isle of oil, which literally streams into the sea from hills and cliffs which are entirely formed of ozokerite—in other words, of crude paraffine.

## FUNDING THE PUBLIC DEBT.

The views of the Comptroller of the Currency on funding the National debt merit far more than a passing consideration. We reproduce them, trusting that they will not be thrown aside until they have received a thorough examination.

The measures which were introduced at the last session of Congress, involving a funding of the public debt, provided that the bonds issued in exchange for those now outstanding shall have the same time of maturity as those for which they are exchanged. No provision is made by these bills to enable the Government to use any surplus revenue which it may desire to devote to the payment of the public debt, during the long periods between the maturities of the present four-and-one-half and four-per-cent. bonds.

The following table shows the bonded debt of the United States on November 1, 1884:

Three per cents, payable option United States.....	\$ 194,190,500
Four and a half per cents, payable September 1, 1891.....	250,000,000
Pacific Railway sixes, payable January 16 and November 1, 1895.....	\$ 3,002,000
Pacific Railway sixes, payable January 1 and February 1, 1896.....	8,000,000
Pacific Railway sixes, payable January 1, 1897.....	9,712,000
Pacific Railway sixes, payable January 1, 1898.....	29,904,952
Pacific Railway sixes, payable January 1, 1899.....	14,004,560
	<u>64,623,512</u>
Four per cents, payable July 1, 1907..	737,691,550
Total.....	<u>1,246,505,562</u>

It will be seen upon an examination of this table that there are \$194,190,500 of three-per-cent. bonds now payable at the pleasure of the Government. These bonds will probably be paid within the next two years, even if considerable changes are made in the tariff; and from 1887 to 1891, when the \$250,000,000 of four and one-half per cents. shown by the table mature, there will be no bonds which the Government can call in for redemption. No doubt the accumulation of surplus revenue, if it continues to accrue at the present rate during the four years between 1887 and 1891, together with the revenues of 1892, will be more than sufficient to pay off the four and one-half per cents; and from 1892 until 1907 it will be impossible for the Government to use any of its surplus revenues for the payment of its bonds, except at the option of their holders. It is apparent that the Government cannot accumulate and hold its surplus revenues, even during the short period from 1887 to 1892, without great disturbances to the business interests of the country, and much less can it do so during the longer period from 1892 to 1907.

It appears, therefore, that the foregoing considerations should be given due weight in any plan for the funding of the four-per-cent. bonds maturing in 1907, and the Comptroller therefore suggests that the principal difficulties of the situation may, perhaps, be obviated, as well as the reduction of interest effected, by funding these bonds into others which shall mature in proportionate amounts at

certain fixed intervals. Thus, the \$738,000,000 of four per cents. might be funded into an equal amount of three or two-and-one-half-per-cent. bonds, one-fifth of which, or \$147,600,000, to mature at intervals of five years, the first installment falling due July 1, 1897, and the remaining installments of \$147,600,000 each on the first of July in the last year of each succeeding period of five years, viz., 1902, 1907, 1912, and 1917. The average maturity of these five classes of bonds would be the same as that of the present four per cents., viz., July 1, 1907.\*

The surplus revenue could, by this plan, be used after July 1, 1897, and July 1, 1902, as well as after July 1, 1907, in paying the public debt; and it is believed that any disadvantage there might be to the Government in postponing the payment of one-fifth of the debt now in fours due in 1907 until after 1912, and another fifth until after 1917, would be more than offset by the benefit derived from the opportunity of paying one-fifth after 1897, and another fifth after 1902. The reduction of one per cent. per annum in the interest, if threes be issued, would be a direct benefit to the Government in the same manner as provided in the Aldrich bill; but while under that bill the amount of premium paid by the Government to induce the acceptance of a three-per-cent. bond payable in 1907 for a four-per-cent. bond maturing at the same date will be at a fixed rate for the total amount exchanged, it is believed that in the case of

NOTE.—The Navy pension fund, amounting to \$14,000,000 in three per cents., the interest upon which is applied to the payment of naval pensions exclusively, and \$264,800 of four-per-cent. refunding certificates, are not included in the table.

\* While considering the question of refunding the high-rate bonds forming the principal part of the public debt into bonds bearing a lower rate of interest, and paying a premium to the holders of the former to compensate them for any disadvantage in the exchange, it is interesting to note that the English Government, by an Act passed at the last session of Parliament, provided for the conversion of a large portion of its National debt bearing interest at three per cent. into two classes of stock, bearing interest, one at two and three-quarters and the other at two and a-half per cent., on the basis of a difference of two per cent. between the threes and the two-and-three-fourths-per-cent. stock, and of eight per cent. between the threes and the two-and-a-half-per-cent. stock, this difference or bonus to accrue to the holders of the threes.

As the English Government does not appear to have a surplus revenue available to pay the difference in cash, it is added to the face of the lower-rate stocks given in exchange. The Act which authorizes this exchange is not compulsory, and if the conversion takes place, it will be through the voluntary action of the holders of the higher-rate stock. The Chancellor of the Exchequer, however, claims that under an old law or regulation he has compulsory power, and can call some six hundred and twelve millions sterling of three-per-cent. stocks upon giving a year's notice. Although this view is disputed, it has had the effect to depreciate the three-per-cent. stock, and will no doubt have an effect in inducing holders of threes to convert on the terms offered into the new stocks.

The editor of the London *Banker's Magazine*, in commenting upon the action of the Government, remarks that "the mass of threes (which it is claimed can be called) is so large that it may very probably prove a difficult matter to deal with the whole if paid off compulsorily." Another comment is that, "had the debt of the British Government been divided into separate funds of moderate amount, the operation (of funding) would have been comparatively an easy one. As matters stand, there will probably be great difficulty in carrying the operation through."

From the foregoing it appears quite evident that the successful funding of the debt of the United States from time to time into bonds bearing lower rates of interest has attracted the favorable attention of the English Government. It is particularly to be noted that the proposed two-and-three-quarters and two-and-a-half-per-cent. stocks are to mature in 1905, that is, they are to become payable at the option of the Government at a fixed date twenty years after the date of their issue, and cannot be called before that date. This is a new departure in the management of the public debt of Great Britain. The attitude of the Chancellor of the Exchequer seems to indicate that he has particularly in view the funding of our fives and sixes into three and a-half per cents. in 1881. His proposed method of carrying out the Act of Parliament referred to is very similar in principle to that adopted by Secretary Windom in 1881.

On October 17, 1884, being the expiration of the period under which proposals were received by the Chancellor for the conversion of the three per cents., the total amount of stock of private holders that had been converted was but £9,686,000, or less than one and three-quarters per cent. of the entire three-per-cent. stock held by the public. It would appear, therefore, that the conversion of three-per-cent. English consols into stock of a lower rate of interest is not popular, although the lower-rate stocks have a minimum of twenty years to run, and notwithstanding the premium offered by the Government.

this proposition the rather larger premium that might have to be paid in exchanging threes due in 1897 and 1902 for fours of 1907 would be more than compensated by the smaller premiums paid in exchanging the threes of 1912 and 1917 for the same fours. In other words, the aggregate amount paid in premiums in exchanging bonds under the plan now suggested would probably be not more, and possibly less, than fifteen per cent.

It is important to the success of this plan that in carrying it into practice each holder of four-per-cent. bonds who accepts the proposed threes in exchange should take one-fifth of the amount of his fours in each class of threes. Thus, the holder of a \$500 four-per-cent. bond of 1907 would receive five three-per-cent. bonds of \$100, each one maturing on July 1, 1897, and the remaining four on July 1, 1902, 1907, 1912, and 1917, respectively.\*

Whatever course may be deemed expedient by Congress in regard to the funding or future payment of the public debt, the Comptroller is of the opinion that it is perfectly safe, and will afford great benefit to the public to permit an issue by the National banks of circulation to the extent of 100 per cent. of the par value of the bonds deposited instead of ninety per cent., as under the present law, and that the present limit of issue to ninety per cent. of the paid-in capital stock should also be extended to 100 per cent. of such paid-in capital. Two of the bills already referred to as introduced at the last session of Congress contained these provisions. Even admitting that the bonds representing the public debt when funded at lower rates might at times in the future be below par in the market, the Government would, if forced to redeem the notes of insolvent National banks, always have the right to cancel the bonds on deposit securing the same, and thus extinguish an amount of its debt equal dollar for dollar to the notes redeemed. It would also gain from such notes as are never presented for redemption, which form a certain percentage in the case of the circulation of each and every bank, and taking all banks together would form a large reserve fund. Tables in relation to this gain may be found in the Appendix.

It is further submitted that the profit on circulation may be increased to a point which will induce the banks to keep up their circulation to a maximum, and stop the contraction of their circulation which is now occurring, by repealing the law taxing such circulation at the rate of one-half of one per cent. semi-annually. This tax is regarded by many as only a fair bonus to the Government for the

\* A computation based upon the realized rate to the Government or any investor in four-per-cent. bonds having twenty-two years to run from July 1, 1885, at a market rate of 120 indicates that the average difference in present value between three-per-cent. bonds maturing at the dates mentioned, and a four-per-cent. bond maturing in 1907, is about sixteen per cent. It is believed that the desirability of the long-time bonds for banking and trust purposes would induce the bankers and the public to make the exchange for a less difference than sixteen per cent., which is simply the mathematical difference. The history of securities put out by Governments whose credit is unquestioned shows that the long-time securities are invariably considered the most valuable, and that the premium paid for such securities is more in proportion than would naturally be indicated by a computation based upon any present realized rate of interest.

The following table has been prepared by E. B. Elliott, Esq., Government Actuary, in order to show the difference in value between three and four-per-cent. bonds maturing at the periods mentioned, computing on a basis of the realized rate to the Government at 120 for four-per-cent. bonds having twenty-two years to run:

Year.	Fours.	Threes.	Difference.
1897.....	1.20	1.0222 ....	.1778
1902.....		1.0295 ....	.1705
1907.....		1.0359 ....	.1641
1912.....		1.0474 ....	.1526
1917.....		1.0462 ....	.1538



privilege of issuing circulation which the banks receive from it, and in times when the Government needed the money and when the profit on circulation was comparatively great this view had much in its favor. But under existing circumstances\* the Government should in justice either enact laws which will make the issue of circulation a real privilege, or it should remove the tax, which, under present laws, is fast becoming prohibitory. As it now stands, the Government is exacting a bonus for a privilege which no longer exists, and the inevitable consequence of the continued collection of the tax without measures of relief in other directions will be the gradual retirement of this form of circulating medium.

The expenses of keeping up the National banking system by the Government are at present paid in part from the proceeds of this tax and in part by assessment on the banks. If the tax be abolished, all of these expenses should be paid by the last-named method. Under the head of "Taxation," on page 65, will be found a detailed statement of the amount received from the tax on circulation, and of the very small proportion used in payment of expenses of the Government in keeping up the system.

In concluding this subject the Comptroller wishes to have it distinctly understood that he is not in favor of any measure which will cause inflation. He is of the opinion that the present paper aggregate circulation, made up of legal-tender and National bank notes and of gold and silver certificates, is ample for all the needs of business. He believes, however, that the sudden contraction of National-bank circulation, which, without appropriate legislation, is imminent, will seriously embarrass the business of the country, and that if this contraction is permitted to go on, it may result in the entire discontinuance of the issue of notes by National banks. The Comptroller believes that this form of currency, which can be increased or diminished in accordance with the natural laws which control business, should be continued in preference to any other now permitted by law. If at any time the aggregate of outstanding paper becomes too great, reduction should be made by retiring the direct issues of the Government, in view of the fact that the most eminent authorities in finance agree that such direct issues are in the

\* The following table shows the annual percentage of profits on circulation, at rates of interest for bank loans from five to eight per cent., based on four-per-cent. bonds of 1907, having twenty-two and a-half years to run, the average market price for the year being 1.215529, and based on four-and-a-half-per-cent. bonds having seven years to run, the average market price for the year being 1.127131. There are three rates of profit shown on each class of bonds, each derived by a different method of computation. The method by which the first figures in each case are obtained assumes that the premium paid would be made up by a sinking fund at compound interest, and also that the five-per-cent. redemption fund which banks are required to keep is no charge on circulation account.

The second figures are obtained assuming a sinking fund similar to that in the first method, but that the five-per-cent. fund is a charge on circulation account, and reduces the loanable circulation.

The third figures are obtained by a method which assumes that the premium is reduced by charging off an equal proportion each year, according to the time the bonds have to run, and that the five-per-cent. fund is no charge on circulation. The figures generally show that under average conditions a National bank issuing circulation, based on either four or four-and-a-half-per-cent. bonds, at ordinary rates of interest for bank loans, receives an average profit of not more than one-half of one per cent.

<i>Classes of bonds.</i>		<i>Profit with loans at 5 per cent.</i>	<i>Profit with loans at 6 per cent.</i>	<i>Profit with loans at 7 per cent.</i>	<i>Profit with loans at 8 per cent.</i>
Fours of 1907.....	1	.... .00781	.... .00590	.... .00380	.... .00162
	2	.... .00596	.... .00368	.... .00121	.... .00000
	3	.... .00439	.... .00180	.... .00000	.... .00000
Four and a halves of 1891.....	1	.... .00803	.... .00650	.... .00480	.... .00337
	2	.... .00604	.... .00410	.... .00215	.... .00018
	3	.... .00548	.... .00350	.... .00145	.... .00000

long run highly detrimental and fraught with danger. A bank circulation as well secured and convenient as that of the banks in the National system, with a credit so deservedly well established in the minds of the people, should not be permitted to go out of existence.

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### OUR SHIPPING INTEREST.

The recent report of the Secretary of the Treasury contains the following remarks on the improvement of American shipping, a topic just now of unusual importance, and which we have discussed elsewhere.

In direct connection with the condition of our foreign trade is the condition of our merchant service. The causes of the decline of our shipping are so well understood that any remarks on this point are quite unnecessary. The humiliating fact stares us in the face that while the United States not many years ago led all nations in ship-building, and was second only to Great Britain in ocean tonnage, it has almost ceased to be recognized as a maritime power; that nearly all of our agricultural productions and manufactured goods which find a 'market in Europe or South America and the articles received in exchange for them are carried in foreign ships; that the many thousands of Americans who annually visit Europe on business or for pleasure go and come in European steamers; that large foreign steamship lines are in fact supported by the people of the United States. All this is not only humiliating to our National pride, but it stands in the way of the improvement of our foreign trade. In his report to Congress under date of the third of December, 1866, the Secretary used the following language:

"It is a well established general fact that the people who build ships navigate them, and that a nation which ceases to build ships ceases, of consequence, to be a commercial and maritime nation. Unless, therefore, the causes which prevent the building of ships in the United States shall cease, the foreign carrying-trade even of its own productions must be yielded to other nations. To this humiliation and loss the people of the United States ought not to be subjected. If other branches of industry are to prosper, if agriculture is to be profitable, and manufactures are to be extended, the commerce of the country must be restored, sustained and increased. The United States will not be a first-class power among the nations, nor will her other industrial interests continue long to prosper as they ought, if her commerce shall be permitted to languish."

If this language was true then, it is certainly true now. Eighteen years have passed since it was uttered. There has been in the mean time an enormous increase of our population and National wealth, but no improvement whatever in our foreign shipping interest. Not only does this important interest remain well-nigh lifeless, but the difficulties in the way of restoring its vitality have been greatly increased by the immense capital since then invested by foreign steamship companies, which control and practically monopolize the carrying-trade between this and other countries, and these difficulties will become every year more and more formidable until remedial measures are adopted by Congress. When the nature of the ob-

structions in the way of a revival of our shipping is fully investigated, the cost of building ships in the United States will not, I think, be found to be a serious one. I am convinced that if the duties upon the foreign materials used in the construction and outfit of iron ships were removed, they could be built and fitted for sea as cheaply in the United States as in Scotland. Manual labor, it is true, is much cheaper in Scotland, but it is less efficient. Besides, most of the work in iron-ship building is done by machinery, in the invention and use of which Americans excel. Scores of things are done in Glasgow shipyards by hand which in the United States would be done by machinery.

Fifty years ago the United States excelled all nations in shipbuilding. Not only were we able to supply the home demand, but large numbers of ships were built for foreigners in the shipyards, which lined the coast from Delaware Bay to Eastport. Our superiority in shipbuilding then was owing to the facts that our forests abounded in timber of the best qualities, and that our carpenters were skillful in the use of it. Since then iron has been substituted for wood in the construction of steamships. But are not our iron and coal fields as productive and accessible as those of any other country? Are our machinists less skilled in the use of machinery than were our ship-carpenters in the use of the axe and the saw? As far as materials for building ships and skill in the use of those materials are regarded, Great Britain has no advantage over us; on the contrary, is not the advantage on our side? Apprehended difficulties are magnified until they are encountered. When steel rails were in demand beyond the home supply at \$75 per ton, and many were imported, subject to a duty of \$28 per ton, who would have dared to express the opinion that in four years they could be made in this country at less than \$30 per ton, with a profit to the makers?

The obstacles in the way of a restoration of our foreign shipping will not, I conceive, be found in the cost of ships which are to be built in the United States, but in the absence of demand for them. If our navigation laws were so modified that American registers could be granted to foreign-built ships for foreign trade, there would be little, if any, improvement in our shipping interest. Such modification some years ago might have done something to prevent decline; it would now be insufficient to restore. The great and profitable carrying-trade between the United States and Europe has been permitted to pass into the hands of the shipowners of other nations. So complete is their control of it, so large is the capital invested in it, and so sharp and persistent would be the contest if we should attempt, without Government aid, to share in it, that our capitalists would not compete for it. There is, in my opinion, no prospect whatever that the United States will ever share to a considerable extent in the foreign carrying-trade without Government aid. It is for Congress to determine whether this aid shall be granted, or whether our foreign shipping interest shall remain in its present death-like condition. The let-alone policy has been tried for many years, during which our ships have been swept from the ocean, and we pay every year many millions of dollars to foreign shipowners for freights and fares. Ought this condition of things to be continued?

Entertaining these views, I do not hesitate to express the opinion:

*First.*—That without Government aid to United States steamship

lines the foreign carrying-trade will remain in the hands of foreigners.

*Second.*—That as we ought to have an interest in the business which we create, and as the restoration of our shipping interest is important, if not essential, to the extension of our foreign trade, subsidies in the form of liberal payments for the transportation of mails or in some other form should be offered as an inducement to investments of capital in steamships.

The amount of necessary aid would be insignificant in comparison with what has been granted to manufacturers by protective duties, and nothing would be paid until the services were rendered. If the subject were investigated, it would be found that all the European steamship lines that led the way in the great traffic by steam power have received Government aid. It is admitted that all protective duties and subsidies are inconsistent with the teachings of political economy, but, true as these teachings may be in the abstract, they are disregarded by all nations when they stand in the way of National welfare. No rules are equally applicable to all nations, nor to the same nation in the different stages of its growth. Political economy is not one of the exact sciences. It is rather adaptive than exact, and all nations so regard it.

Protective duties were undoubtedly needed to induce investment in cotton, iron and woolen mills, and what not, in the various lines of our manufacturing industry. Whether or not protection has been extended too long or too far, and to what extent it now stands in the way of other great interests, are questions that can only be settled by full investigation. Government aid is now needed to induce investment in shipping. To what extent and for what period this aid should be granted must be settled in the same way.

It is to be regretted that the United States is not in a condition to participate in the trade which is soon to be opened with the interior of Africa.

The attention of Congress is asked to the following table and statements, which exhibit the present condition of our shipping interest, and which refer to the relief already obtained by recent legislation, and to the further relief which is required aside from the question of subsidies :

#### TONNAGE OF VESSELS OF AMERICAN OWNERSHIP.

The tonnage of vessels owned in the United States at the close of the fiscal year 1884, according to the records of the Bureau of Navigation, was 4,271,228.76 tons. Of this amount 1,304,220.67 tons were in 2,127 vessels registered for the foreign trade, and 2,967,008.09 in 22,055 vessels enrolled and licensed for the coasting trade and fisheries. There was an increase of 2,126 tons in vessels in the foreign trade, and 33,616 tons in domestic trade. The following table shows the number and tonnage of vessels built and documented during the last fiscal year :

<i>Kinds.</i>	<i>Number.</i>	<i>Tonnage—</i>	
		<i>Gross.</i>	<i>Net.</i>
Sailing-vessels.....	706	120,620 88	114,667 82
Steam-vessels.....	410	91,327 47	68,095 93
Canal-boats.....	33	3,450 43	3,264 18
Barges.....	41	10,709 22	9,834 53
Total.....	1,190	225,514 00	195,862 46

## DISTRIBUTION OF THE CARRYING TRADE.

Of the merchandise imported at seaboard, lake and river ports during the fiscal year 1884, an amount equal in value to \$152,201,729 was imported in American vessels, and in value to \$526,379,213 in foreign vessels. The merchandise exported in American vessels had a value of \$112,520,723, and the merchandise exported in foreign vessels was valued at \$667,739,372. Of the combined imports and exports of merchandise, about seventeen and a-half per cent. was conveyed in American vessels, and about eighty-two and a-half per cent. in foreign vessels.

Under the act of June 5, 1884, and the provisions of the shipping bill of June 26, 1884, a Bureau of Navigation has been established in this Department. The employees thereof, with the exception of the Commissioner, have been detailed from other offices. There have been assigned to the bureau the duties relating to navigation hitherto performed in the office of the Register of the Treasury, the Bureau of Statistics, and of the Secretary; the administration of the provisions of the act of June 26, cited above, relating to the preparation of an annual list of merchant vessels of the United States; the discharge of seamen abroad; the payment to them of extra wages; the survey of ships; the collection of tonnage-tax; and the entry of vessels into ports subject to quarantine; also, cases arising under the provisions of Titles XXXIV., XLVIII., and LVIII., Revised Statutes, and other laws concerning navigation and statements of tonnage; the documenting of vessels, the naming of them, and granting them official numbers and signal letters; their entry clearance, and movements; the issue and preservation of marine documents; and also the administration of the provisions of Title LIII., Revised Statutes, and of the shipping act, relating to the shipment of seamen and the government of the shipping offices at the various ports of the United States. The bureau is now in successful operation, and the consolidation therein of the duties formerly incongruously distributed among several divisions of the Treasury Department prevents some confusion and duplication of work, which could not be avoided under the old system, and tends to economy and efficiency.

While the provisions of the new shipping act changing the tonnage-tax on vessels, so that a portion only of the former tax need be paid on any one entry, will materially reduce the entire amount of tax collected, they will give needed relief to sailing vessels, which formerly were required to pay as much per ton on a single entry within a year as was paid by steam vessels on the many entries they sometimes made within that time.

The provisions of section 27 of the shipping act of 1884 forbidding the payment of advance wages to seamen have led to much opposition from keepers of sailors' boarding-houses, and so-called runners, whose business has been injuriously affected, and the law has been enforced with some difficulty. It is understood, however, that ships have generally been able to obtain crews, and that the repeal of the law is not required by the necessities of commerce. A similar law exists in Great Britain. That, in both countries, it is sometimes evaded is unquestionable. I am not prepared to say that a modification of the statute so as to allow a half month's advance might not, in some cases, be beneficial to the seaman.

Complaint has been made that the compensation allowed to masters of vessels by section 12 of the act of June 26, 1884, for bring-

ing home destitute American seamen, is inadequate. The section allows not exceeding \$10 for a voyage of thirty days, and \$20 for a longer voyage; but if the men are so disabled or sick as to be unable to perform duty, additional compensation may be allowed by the First Comptroller of the Treasury.

By the reduction of tonnage-dues, relief from the necessity of carrying mails, the abolition of the system of extra wages to seamen, except in certain cases, the removal of consular fees for services to vessels and to seamen, the repeal of the laws imposing marine-hospital tax, the right to withdraw supplies for, and material for the building and repairing of, vessels free of duties, the limitation of the liability of ship-owners, the right to ship seamen for stated periods, or for foreign ports, and the right to deliver cargo, in certain instances, at places not ports—all of which privileges and benefits have been conferred by recent legislation—the burdens of ship-builders, and of persons interested in shipping, have been somewhat lightened, and our navigation has been placed, as regards the expense of carrying it on, more on a footing with that of foreign countries. Other antiquated restrictions on our maritime commerce, such as the division of the Atlantic coast into two great coasting districts, and the limitations as to the quantity of duty-paid cargo which may be carried in coasting vessels, might well be abolished. Matters of pilotage should be regulated by Congress, in such a manner that the system shall be uniform. At present each seaboard State has its separate rules, which, in some cases, are burdensome to commerce.

In this connection, the importance of a fleet of vessels engaged in commerce in time of peace as a training-school for sailors, and as a preparation for war by their easy conversion into armed cruisers or transport vessels, should not be overlooked. So much importance was formerly attached to this idea that Congress for a long series of years appropriated a bounty to vessels engaged in the fisheries, for the express purpose of encouraging ship-building and the training of seamen, and in the late civil war immense advantage to the Government was derived from the ready enlistment in the Navy of seamen trained in the merchant service.

Great Britain, with her two hundred thousand merchant seamen and her immense fleet engaged in the transportation of merchandise and passengers in all parts of the world, may serve our country in this view, both as a warning and as an example.

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INTERNATIONAL EXCHANGES.—In El Paso, Texas, a Mexican dollar is worth eighty-five cents. In El Paso del Norte, just across the river, in Mexico, an American dollar is worth eighty-five cents. It is related in the daily press that not long ago a cowboy took a fifteen-cent drink of whiskey in an El Paso saloon, and, tendering an American dollar, received for change a Mexican dollar, equivalent there to eighty-five cents. He then crossed over to the Mexican town, took another drink of the same stuff, and passed over the Mexican dollar, receiving for change an American dollar, equivalent there to eighty-five cents. He continued this operation all day, and at night was found dead drunk with his original dollar in his pocket!

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. RESPONSIBILITY OF BANK FOR COLLECTING AGENT.

Referring to your reply in December number of Magazine (p. 467) holding it to be the better rule that a collecting bank is only responsible for proper care in the selection of an agent, is not this question decided in the opposite way by the United States Supreme Court. See page 450 of same number?

They hold in two cases that the collecting bank is responsible for the negligence of its agent. Is it not then responsible if he prove insolvent? And if so, will not this decision overrule the conflicting decisions of the lower courts?

REPLY.—The opinion of the Supreme Court of the United States in the recent case of *Exchange National Bank of Pittsburgh v. Third National Bank of New York*, referred to by our correspondent, has been published in full in the *Federal Reporter*, number of December 13th, 1884, and fully sustains the view of the matter suggested by him. As all our readers who are familiar with the subject, are aware, the question whether a bank, which receives for collection negotiable paper payable at a distant place, is responsible for the acts of its agents or correspondents to whom it sends the paper for presentment upon the parties liable thereon, is one upon which the courts of the different States have long been divided. It has seemed to us that the reasons given in favor of, what may be called, the Massachusetts doctrine, because first adopted by the courts of that State, according to which the collecting bank is not responsible, if it has used reasonable and proper care in the selection of its agents or correspondents, are the better reasons, and we have accordingly hitherto followed the rule thus stated in answering inquiries in this department of the Magazine. In this case, however, the Supreme Court of the United States has, we believe, for the first time, declared that the law is otherwise, and has followed the other rule, which may be called the New York rule, having first been adopted by the courts of this State. The case is one of the greatest importance, because it fixes for the future the rule of decision in all the United States Courts; and the State Courts, which have heretofore decided differently, may be induced by their respect for the authority of this decision, and their desire for uniformity in the law, to overrule their own previous decisions. Whether or not they will do this remains to be seen. They are not obliged to do so, and so far as they decline to do it, they will merely furnish another instance of the curious anomaly, frequently presented under our system of Government, of two courts sitting side by side in the same State and administering different rules of law upon the same question; so that the rights and liabilities of a party frequently depend upon the accident which may determine his right to litigate them in either court. At any rate this decision will at once put the question at rest throughout the greater part of the United States, and is of the greatest interest and importance to all bankers. We shall publish a copy of it in this Magazine at an early day.

## II. COMPUTATION OF INTEREST ON PARTIAL PAYMENTS.

Enclosed find copy of note with indorsements, with two different computations of interest. The second claiming to be the rule as laid down by the Supreme Court of the United States, adds the interest to the principal at the time of each payment, and then deducts the payment. Which is correct?

\$1,000.

DENVER, Col., December 4, 1883.

One year after date, for value received, I promise to pay to the order of John Jones, One Thousand Dollars, at the Bank of Denver, with interest at ten per cent. per annum.

RICHARD ROE.

February 4, 1884, Received \$100

May 4, " " 500

August 4, " " 100

*First Interest Computation.*

On \$1000	Nov. 4 to Feb. 4,	\$25
" 900	Feb. 4 " May 4,	22.50
" 400	May 4 " Aug. 4,	10
" 300	Aug. 4 " Nov. 4,	7.50
" 365	Nov. 4 " Dec. 4,	3.04
Amount due December 4,		\$368.04

*Second Interest Computation.*

On \$1000	Nov. 4 to Feb. 4,	\$25
" 925	Feb. 4 " May 4,	23.75
" 448.75	May 4 " Aug. 4,	11.20
" 359.95	Aug. 4 " Nov. 4,	8.97
" 368.92	Nov. 4 " Dec. 4,	3.07
Amount due December 4,		\$371.99

REPLY.—The rule for casting interest in a case of partial payments is thus stated in the case of *Dean v. Williams*, 17 Mass. 417, which is cited as an authority in Sedgwick on Damages.

"Compute the interest on the principal sum, from the time when the interest commenced to the first time when a payment was made, which exceeds either alone, or in conjunction with the preceding payments, if any, the interest at that time due; add that interest to the principal, and from the sum subtract the payment made at that time, together with the preceding payments, if any, and the remainder forms a new principal, on which compute and subtract the interest, as upon the first principal; and proceed in this manner to the time of the judgment." The second method is therefore the correct one. The decision of the Supreme Court of the United States referred to is probably *Story v. Livingston*, 13 Peters 371, which holds the same doctrine.

## III. NOTES PAYABLE ON OR BEFORE A CERTAIN DATE.

Is a note negotiable when drawn payable "on or before" a certain date? Can the holder demand payment at any time previous to the latter date mentioned? Can the promisor claim the right to pay before this date?

REPLY.—The definition of a negotiable promissory note requires it to be payable at a certain time. A note written as above, is payable at the date named in it, or at any earlier time, when the maker may choose to pay it. The time when the note will become payable depends upon the option of the maker, and is necessarily uncertain, because he may elect to pay at any time. It is, therefore, not within the definition. See *Stultz v. Silva*, 119 Mass. 137, *Mahoney v. Fitzpatrick*, 133 Mass. 151, cases directly in point. We think the proper construction of such a note is that it is payable before the date named in it at the option of the maker, not of the holder.

## IV. SURRENDER OF BILLS OF LADING.

Is a bank legally justified in surrendering a bill of lading, upon the acceptance of a time draft, if not instructed to the contrary?

REPLY.—It is. The subject will be found fully discussed in the case of *National Bank of Commerce v. Merchants' National Bank*, 91 U. S. 92.



## V. CAN DIVIDENDS ON STOCK BE APPORTIONED?

October 1, 1883, we issued certificates of stock, 90 per cent. paid up. June 10th, 1884, owner died, willing stock to his son as "twenty shares of stock." July 6, 1884, executor made distribution of property to heirs. August 1, 1884, dividend of ten per cent. was declared, and assessment of ten per cent. made, payable at once. Who receives earnings on stock from date of certificate, October 1, 1883, to death of owner, and from death of owner to distribution of property? Does it follow the stock or belong to the general estate? In short, does the estate have any interest in the bank not covered by the stock and belonging to the son? The wording of the will being "twenty shares of stock."

REPLY.—The dividend cannot be apportioned. It follows the stock, and belongs to the person who is owner of the stock when the dividend is declared. Some of the reasons for this are thus stated by the Supreme Court of Massachusetts, in giving its opinion in a very similar case, *Foote Appellant*, 22 Pick. 304. "The dividend is incapable of being apportioned. How much was earned before and after her (a life tenant's) death, what amount of bad or doubtful debts existed at one period and what at another, cannot be ascertained. Whether any dividend would be declared at the end of the next half year the officers of the bank themselves could not know, at the time of her decease. If, in former dividends, the officers had trenced upon the capital, as sometimes has been done, still the legatee would have been entitled to all she had thus received, although it would have left the stock for the heirs of less than its par value. So if they had divided less than the actual acquisitions, the heirs would have had the benefit of the reserved fund in the increased value of the stock, and she could have obtained no more than the dividends made. The acquisitions of banks and other similar corporations are mere incidents of the capital stock, and undistinguishable and inseparable from it till set apart by the declaration of a dividend by its authorized officers. They pass with the stock in all transfers of it. The regular income of bank stock consists of the dividends duly declared upon the shares, and this is all which can pass under a gift of 'the use' of it. And we are of opinion that the executor of the widow was not entitled to any part of the dividend made after her decease. She had no claim upon the bank during her life, and whether she ever would have was uncertain at the time of her death."

BILL FOR RETIRING TRADE DOLLARS.—That until January 1st, 1886, United States trade dollars shall be received at their face value in payment of all dues to the United States, and shall not be again paid out, or in any other manner issued.

SEC. 2. That the holders of any United States trade dollars, on presentation of the same at the office of the Treasurer, or any Assistant Treasurer, of the United States, may receive in exchange therefor a like amount and value, dollar for dollar, in standard silver dollars of the United States.

SEC. 3. That the trade dollars received by, paid to, or deposited with, the Treasurer, or any Assistant Treasurer, or National depository of the United States, shall not be paid out, or in any other manner issued; but, at the expense of the United States, shall be transmitted to the coinage mints and recoined into standard silver dollars.

SEC. 4. That all laws and parts of laws authorizing the coinage and issuance of United States trade dollars are hereby repealed.

## SAVINGS BANKS OF MASSACHUSETTS.

The annual report of the Savings Bank Commissioners of Massachusetts shows all the banks to be in good condition with a single exception, in the case of a bank temporarily enjoined and now being wound up. Following are the

## COMPARATIVE AGGREGATES—(Cents omitted).

	1833—168 banks.	1884—168 banks.
No. of open accounts.....	806,010	826,008
Amount of deposits.....	\$ 252,607,593	\$ 262,720,146
No. of deposits (including dividends).....	948,091	850,824
Amount of same.....	\$ 58,543,882	\$ 59,613,618
No. of deposits of and exceeding \$300 at one time..	38,027	38,852
Amount of same.....	\$ 21,484,966	\$ 22,000,758
No. of withdrawals.....	480,225	520,886
Amount of same.....	\$ 47,156,917	\$ 49,066,544
No. of accounts opened.....	122,814	124,975
No. of accounts closed.....	95,608	105,297
Amount of surplus on hand.....	\$ 5,240,959	\$ 5,247,371
Amount of guarantee fund.....	4,800,295	5,692,504
Public funds.....	36,463,978	40,510,314
Loans on public funds.....	744,459	696,240
Bank stock.....	25,453,762	25,874,035
Loans on bank stock.....	1,313,910	1,384,100
Deposits in banks bearing interest.....	11,682,959	8,857,779
Railroad bonds.....	11,575,639	13,808,172
Invested in real estate.....	2,109,565	2,378,237
Real estate by foreclosure.....	5,733,049	4,184,236
Loans on mortgages of real estate.....	92,360,016	98,979,283
Loans to counties, cities or towns.....	9,895,044	10,079,112
Loans on personal security.....	61,677,364	62,793,300
Cash on hand.....	1,243,918	1,212,792
Average rate of ordinary dividends.....	4.09 per cent.	4.15 per cent.
Aggregate amount of earnings.....	\$ 13,087,208	\$ 13,575,047
Aggregate amount of ordinary dividends.....	9,535,391	9,877,713
Number outstanding loans exceeding \$3,000.....	35,662	37,706
Amount of same.....	\$ 37,404,316	\$ 40,365,675
Annual expenses of the corporations.....	650,247	658,690

The figures in the preceding table show an increase in these items: Number of open accounts, 19,998; amount of deposits, \$10,112,553; amount (including dividends) of deposits made during the year, \$1,069,735; number of deposits of and exceeding \$300 at one time, 825; amount of same, \$515,791; number of withdrawals, 49,661; amount of same, \$1,909,627; number of accounts opened, 2,161; number closed, 9,689; amount of surplus on hand, \$6,411; amount of guarantee fund, \$892,208; public funds, \$4,046,326; bank stock, \$220,272; loans on bank stock, \$70,189; railroad bonds, \$2,232,533; invested in real estate, \$68,671; loans on mortgages of real estate, \$6,619,266; loans to counties, cities or towns, \$184,068; loans on personal security, \$1,115,936; average rate of ordinary dividends, .06 per cent.; aggregate amount of earnings, \$487,838; aggregate amount of ordinary dividends, \$342,322; number of outstanding loans exceeding \$3,000, 2,044; amount of same, \$2,961,359; annual expenses of corporations, \$8,442. Decrease—Number of deposits (including dividends) during the year, 97,267; loans on public funds, \$48,219; deposits in banks bearing interest, \$2,825,179; real estate by foreclosure, \$1,549,413; cash on hand, \$31,126.

The percentage of earnings to total amounts was 4.94. The rate of ordinary dividends paid by 167 banks was as follows: 2 at 3 per cent.; 3 at 3½ per cent.; 117 at 4 per cent.; 2 at 4¼ per cent.; 19 at 4½ per cent.; 4 at 4¾ per cent.; 20 at 5 per cent.; 1—no dividend. The latter bank was temporarily enjoined, and is now being wound up by its officers.

## BANKING AND FINANCIAL ITEMS.

**BILL TO SUSPEND SILVER COINAGE.**—Representative Buckner, of Missouri, chairman of the Committee on Banking and Currency, introduced on December 9th the following bill to suspend the coinage of the silver dollar:

**SECTION 1.** That so much of the act entitled "An act to authorize the coinage of the standard silver dollar and to restore its legal-tender character," passed February 28, 1878, as authorizes and directs the Secretary of the Treasury to purchase, from time to time, silver at the market value thereof, not less than two millions' worth per month and not more than four million dollars' worth per month, and cause the same to be coined monthly, as fast as so purchased, into standard silver dollars, and which appropriates out of any money in the Treasury not otherwise appropriated, a sum sufficient to carry out the said provision as to the coinage of the standard silver dollar, be and the same is hereby suspended for the term of three years from the 4th of March, 1885.

**SEC. 2.** That immediately after the taking effect of this act the President shall open correspondence with the Governments of Great Britain, Germany, and the members of the Latin Union, so called, and with such other European and American Governments as he may deem advisable, and urge upon them the desire of the Government and people of the United States for the establishment of a common ratio between gold and silver, and by international agreement securing fixity of relative money value between these metals, and whenever any three of the European Governments, including that of Great Britain, shall concur in the importance and propriety of such international agreement, the President is directed to invite a conference, at such time and place as may be agreed upon, of delegates from the said several Governments of Europe and America.

**SEC. 3.** The President is authorized to direct any three of the American Ministers accredited to the Courts of Europe to represent the United States in such conference as he may, by and with the advice and consent of the Senate, appoint not more than three special commissioners to attend said conference, who shall be paid the same compensation as provided in the act aforesaid, of February 28, 1878, and the amount necessary to pay said compensation and the reasonable expenses of such commission, is hereby appropriated out of any money in the Treasury not otherwise appropriated.

**NEW YORK CITY.**—The banking house of Opdyke & Co. suspended payment on December 8th, and made an assignment to William Peet, of 20 Nassau Street. Their embarrassment is said to have been the sequence of losses following the panic of 1873. It is hoped that the firm will pay a large dividend to their creditors. Their reputation has always been high, and much regret at their trouble is expressed.

**THE AMERICAN EXCHANGE IN EUROPE.**—Mr. Samuel H. Kennedy, President of the State National Bank, New Orleans, has been appointed director of the American Exchange in Europe (Limited), and the State National Bank has been appointed the agency of that corporation at New Orleans.

**THE UNDERSIGNED**, in retiring from his connection with the **BANKER'S MAGAZINE** to engage in other business, desires to express to its patrons his appreciation of the cordial relations that have existed with them, and of the many friendships that have followed. He extends to each and all his best wishes for a Happy New Year.

BENJAMIN HOMANS.

NEW YORK, December 31, 1884.

**MAINE SAVINGS BANK INVESTMENTS.**—The honorable F. E. Richards, of Camden, State Examiner of Savings Banks, says he considers the Savings-bank laws of Maine about as nearly perfect now as they can be. The favorite investment of Maine Savings banks now, Mr. Richards says, is a first mortgage bond of a railroad having an indebtedness of not over \$25,000 a mile. At one time the most popular investment was Western municipal bonds, but the defaulting by Evansville, Ind., of \$1,300,000 of city bonds gave that species of investment a blow from which it has not recovered. Two hundred thousand dollars of these bonds were held by Maine Savings banks, and no way has yet been devised to enforce the collection of judgments. These bonds were held by rich banks—such as the Portland and Augusta Savings banks—which can charge the loss off without feeling it. Mortgages on real estate are less popular with the Maine Savings banks than they used to be. In the flurry of a few years ago they were too hard to convert into cash.—*Lewistown Journal*.

**NEW HAMPSHIRE.**—Hon. Clinton W. Stanley, one of the justices of the New Hampshire Supreme Court, died December 1, at Manchester, aged fifty-four years. Judge Stanley was a native of Hopkinton. Entering Dartmouth College, he graduated in 1849 with high honors, and immediately commenced the study of law. After being admitted to the bar he had a very successful practice until 1874, when he accepted the appointment of associate justice of the Circuit Court, and subsequently became justice of the Supreme Court, a position he filled with conspicuous ability till his death. He had been commissioner, President of the City National Bank of Manchester, and was a trustee of Dartmouth College.

**NEW YORK.**—The report of the special examiner on the condition of the Middletown National Bank, of Middletown, N. Y., says that its books on November 28, 1884, indicated liabilities other than those to stockholders, as follows: Due to depositors, \$423,689; due to National banks, \$64,083; contingent liability on account of B. D. Brown's drafts, \$170,499. Total, \$658,272.55.

Per contra the banks had nominally notes and bills discounted \$443,917; overdrafts, \$57,882; stocks, bonds and mortgages, \$142,091; due from National banks, \$2,721; real estate, \$33,796; checks and cash items, \$77,924; cash on hand, \$12,712; redemption fund with Treasurer of United States, \$8,000; excess of United States bonds over circulation, \$20,000. Total, \$799,046.60.

The examiner estimates the present liabilities to be about \$658,000, and approximate assets about \$440,000.

**Mount Vernon.**—John M. Masterton and Philip Lucas, Jr., members of the suspended banking firm of J. M. Masterson & Co., at Mount Vernon, New York, have been indicted for larceny in the first degree for having received money from depositors and persons doing business with them when they were fully aware of their insolvency. The indictment contains four distinct counts.

**OHIO.**—Raymer, Seagraves & Co., bankers, of Toledo, made an assignment on December 5th to E. H. Rhoades. Their secured liabilities are reported to amount to nearly \$250,000, the unsecured to \$150,000. The private deposits, it is said, did not exceed \$10,000. The failure is the result of the firms joining several syndicates in the purchase of real estate ten years ago, which purchases the firm has been largely obliged to assume and carry for several years. They say that no uneasiness need be felt by parties interested in loans placed by them. Depreciation in the value of real estate has finally compelled suspension.

**MARRYING ON A SMALL SALARY.**—The London and Provincial Bank has passed the following resolution: "The Board being of opinion that it is on many grounds inexpedient for clerks employed by the bank to contract marriages on insufficient means, Resolved, As a general rule, but subject to any exceptional circumstances which may induce the Board to dispense with such rule, that in future if any member of the staff whose income is less than £150 a year shall marry, he shall be disqualified from continuing in the bank's service, and will accordingly be required to retire from it."

**PROTECTING COIN FROM WEAR.**—The *Financial Reformer* says that Mr. Childers is seriously considering the adoption of a patent, intended to protect gold coin from wear. It consists of a ring of steel or hard metal, which is put on the coin hot, and then contracts round it while cooling. If the calculation be correct, that the current life of coin would be doubled by the adoption of this device, it is evident that it ought to be tried, for, at present, the annual loss on our gold coinage by detrition is about £56,000.—*London Truth*.

**COST OF STATE RAILROADS.**—Government railway ownership in France, just now, is put to a severe test in view of the general falling off of receipts, and it looks as if the taxpayers would have to make up the deficiency. The Budget Committee's report estimates the guaranteed dividends to be made up for the several lines by the State next year at 39,000,000 francs. The Northern Railway, in fact, is the only one which is expected to yield a full dividend without drawing on the public exchequer. The companies have to repay these sums in the event of the profit of the future years being in excess of the guaranteed dividend; and it should be stated that on the expiration of the concession the railway becomes the property of the State. But in that case the "property," we suspect would be, in many cases, an elephant on its hands.

**IT IS NOT A FRAUD TO FAIL TO PAY A POST-DATED CHECK.**—In the court, Philadelphia, on December 6th, Judge Arnold refused a re-argument in the case of *Cluff v. the firm of Gunniss, Barritt & Co.* The proceeding was an attachment under the act of 1869, and the court having dissolved it, the plaintiff petitioned for a re-argument. The facts were that on October 31st, 1884, Gunniss, Barritt & Co. gave to the plaintiff a check for \$518.80, on the Spring Garden Bank, to pay for goods sold and delivered some months before. The defendants had not the money in bank at the time, and so informed the plaintiff. The check was consequently made payable on the tenth of November. When the plaintiff presented the check at the bank on the latter date there were no funds to pay it. The plaintiff, therefore, brought suit, contending that the neglect to provide for the payment of the check on the day it became payable, when the defendants had provided for the payment of other checks, showed that they did not intend to pay the check and was a fraud. The judge does not think so. He says that there was no misrepresentation of an existing fact. The defendants did not represent that they had the money in bank, but, on the contrary, they told the plaintiff they had not the money on deposit to meet the check. It was, says the judge, merely a "promise to pay" the check in the future. "The distinction between a representation of existing facts and a promise to perform some act in the future is vital and must not be overlooked. The one, if untrue, is a false pretence; the other, if broken, is a breach of contract." The judge adds that the plaintiff did not part with his property in exchange for the check, but had sold and delivered his goods to the defendants many months before the check was given.

The latest enterprise discussed in Europe is a railway route from London to Bombay. The idea emanates from a number of English and French engineers acting in concert, and even the smallest details are said to have been carefully worked out. The whole of the journey will be accomplished by train, save the passage of the Channel and the crossing of the Straits of Gibraltar. From Tangier the railway would run across Morocco and make a junction with the Algerian lines, afterward continuing by Tunis and Tripoli to Cairo. Thence the line would continue along the Euphrates Valley and the shores of the Persian Gulf to Kurrachee, the extreme westerly point of the Indian railway system. It is not surprising to hear that the cost of the undertaking would be ten millions sterling. Quick trains, three of which would be run weekly each way, would cover the distance between London and Bombay in nine days, while slower trains starting daily would take a day or two longer.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from December No., page 473.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
ARIZ....	Tucson.....	D. Henderson.....	J. & W. Seligman & Co.
COL....	Buena Vista....	Lincoln, Hockaday & Co.	Third National Bank.
"	.. Denver.....	Denver National Bank....	National Bank of Republic.
	\$250,000	Jos. A. Hatcher, <i>Pr.</i>	A. A. Denman, <i>Cas.</i>
GA....	Rome.....	Montgomery, McLauren & Co.	Imp. & Traders' Nat'l B'k.
IDAHO..	Eagle Rock....	Bank of Eagle Rock.....	Chemical National Bank.
			M. C. Senter, <i>Cas.</i>
ILL....	Chicago.....	Union National Bank....	.....
	\$1,000,000	W. C. D. Grannis, <i>Pr.</i>	J. J. P. Odell, <i>Cas.</i>
"	.. Galena.....	Galena National Bank....	.....
	\$100,000	Rob't H. McClellan, <i>Pr.</i>	.....
IND....	LaFayette.....	Fowler National Bank....	.....
	\$100,000	Moses Fowler, <i>Pr.</i>	B. Brockenbrough, <i>Cas.</i>
"	.. Poseyville....	V. P. Bozeman & Co.....	.....
IOWA..	Boone.....	National Bank of Boone..	.....
	\$50,000	Sam'l L. Moore, <i>Pr.</i>	Jas. Hazlett, <i>Cas.</i>
KAN....	Cherryvale....	First National Bank.....	Bank of North America
	\$50,000	C. T. Ewing, <i>Pr.</i>	Chas. A. Mitchell, <i>Cas.</i>
"	.. Baldwin City..	Baldwin City Bank.....	National Shoe & Leather Bank.
		John A. DeValley, <i>Pr.</i>	G. G. Wharton, <i>Cas.</i>
"	.. Howard.....	Lamberts Bank.....	Gilman, Son & Co.
MAINE..	Augusta.....	Augusta National Bank....	.....
	\$100,000	Sam'l Titcomb, <i>Pr.</i>	S. B. Glazier, <i>Cas.</i>
MICH... Elsie.....	Lee Bros. & Co.....	Imp. & Traders' National Bank.	
"	.. Imlay City....	Imlay City Exch. Bank..	(J. C. Lamb & Sons). Importers
			& Traders' National Bank.
"	.. Morrice.....	Bank of Morrice.....	Ninth National Bank.
"	.. Sturgis.....	National Bank of Sturgis.	Chase National Bank.
	\$65,000	Nelson I. Packard, <i>Pr.</i>	John J. Beck, <i>Cas.</i>
"	.. Vicksburgh....	Exchange Bank.....	Chase National Bank.
		S. J. Wing, <i>Pr.</i>	E. L. Page, <i>Cas.</i>
MINN... Granite Falls..	Yellow Medicine Bank....	Chase National Bank.	
		F. H. Wellcome, <i>Pr.</i>	F. W. Pearsall, <i>Cas.</i>
MO....	Union Star....	W. S. Earles.....	Bank of America.
MONT..	Miles City....	Stock Growers' Nat'l B'k.	Kountze Bros.
	\$100,000	W. R. Stebbins, <i>Pr.</i>	F. E. Hammond, <i>Cas.</i>
NEB....	Greenwood....	Salt Creek Valley Bank....	.....
		J. W. Quackenbush, <i>Pr.</i>	Edwin Jeary, <i>Cas.</i>
"	.. Hampton.....	Farm. & Merchants' B'k..	.....
"	.. Rulo.....	Bank of Rulo.....	First National Bank.
			B. F. Cunningham, <i>Cas.</i>
N. MEX.	Raton.....	Marcy, Geer & McCarn...	Chemical National Bank.
N. Y....	Brookfield....	Thos. A. Crandall.....	Ninth National Bank.
"	.. Sherman.....	Bank of Sherman.....	Ninth National Bank.
		A. Calhoun, <i>Pr.</i>	W. F. Smallwood, <i>Cas.</i>
OHIO... Bucyrus.....	Second National Bank....	Ninth National Bank.	
	\$50,000	G. W. Hull, <i>Pr.</i>	J. C. F. Hull, <i>Cas.</i>
"	.. Manchester....	Farmers' Bank.....	Ninth National Bank.
"	.. Richwood.....	Deposit Bank.....	Chase National Bank.
		W. H. Conkright, <i>Pr.</i>	H. E. Conkright, <i>Cas.</i>
PENN... Freeport.....	Freeport Bank.....	National Shoe & Leather Bank.	

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier</i>
WIS....	Beaver Dam... \$50,000	First National Bank..... J. J. Williams, <i>Pr.</i>	National Park Bank J. H. Barrett, <i>Cas.</i>
"	Platteville.....	G. W. Eastman.....	Gilman, Son & Co.
"	Shullsburg..... \$50,000	Merchants' Union Bank... Jos. Copeland, <i>Pr.</i>	Gilman, Son & Co. John H. Savage, <i>Cas.</i>
WYO...	Buffalo..... \$50,000	First National Bank..... John W. Collins, <i>Pr.</i>	National Park Bank C. M. White, <i>Cas.</i>

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from December No. page 472).

<i>Bank and Place</i>	<i>Elected.</i>	<i>In place of</i>
CAL.... First Nat'l Bank, Los Angeles.	J. M. Elliott, <i>Cas.</i> .....	Wm. Lacy.
COL.... City National Bank, Denver....	P. C. Conroy, <i>Ass't Cas.</i> .....	A. A. Denman.
DAK.... James River N. B., Jamestown.	G. R. Topliff, <i>Pr.</i> .....	E. P. Wells.
DEL.... Nat'l Bank of Smyrna.....	W. H. Janney, <i>Cas.</i> .....	W. M. Bell.
ILL.... Nat'l Bank of El Paso.....	Frank B. Stitt, <i>Cas.</i> .....	S. T. Rogers.
" .. First National Bank,	Hoopeston. { E. C. Griffith, <i>Cas.</i> .....	Jas. McFerren.
" .. First N. B., Rock Island.....	Geo. M. Loosley, <i>Cas.</i> .....	E. C. Griffith.
IND.... Second N. B., New Albany....	J. P. Leyden, <i>V. Pr.</i> .....	Jas. M. Buford.
IOWA .. First Nat'l Bank, Fairfield....	B. S. McElhinny, <i>V. Pr.</i> .....	M. A. Weir.
KAN.... National Bank of Lawrence....	W. Hadley, <i>V. Pr.</i> .....	S. M. Bickford.
MAINE.. Messalonskee N. B., Oakland....	J. E. Harris, <i>Cas.</i> .....	J. S. Crew.
MICH. . Merchants' N. B., Charlotte....	E. T. Church, <i>Pr.</i> .....	G. H. Bryant.
" .. First National Bank,	Corunna. { Wm. McKellops, <i>Pr.</i> .....	P. S. Spaulding.
" .. First National Bank,	St. Louis. { W. D. Garrison, <i>V. Pr.</i> .....	R. Haviland.
MINN.. Merchants' N. B., Crookston...	H. B. Montgomery, <i>V. P.</i> .....	Wm. McKellops.
MO.... Laclede Bank, St. Louis....	Wm. McMillan, <i>Pr.</i> .....	John A. Elwell, <i>Pr.</i> .....
N. Y.... First Nat'l B'k, Middleburgh...	W. G. Putnam, <i>Cas.</i> .....	Hy. L. Holcomb, <i>V. Pr.</i> .....
OHIO... Mercantile Nat'l B'k, Cleveland.	Chas. C. Baldwin, <i>Pr.</i> .....	H. B. Montgomery, <i>V. P.</i> .....
" .. Morrow Co. N. B., Mt. Gilead.	X. C. Steward, <i>Cas.</i> .....	Wm. McMillan, <i>Pr.</i> .....
" .. Second Nat'l Bank, Xenia.....	Rob't Lytle, <i>Cas.</i> .....	D. R. Francis, <i>V. Pr.</i> .....
PENN... First National Bank,	Johnstown. { Jas. McMillen, <i>Pr.</i> .....	W. E. Mitchell.
R. I.... Weybosset N. B., Providence..	Geo. B. Calder, <i>Pr.</i> .....	W. G. Putnam, <i>Cas.</i> .....
" .. State Bank, Providence.....	Jas. B. Arnold, <i>Pr.</i> .....	Chas. C. Baldwin, <i>Pr.</i> .....
TENN... First Nat'l B'k, Chattanooga..	H. C. Squire, <i>Cas.</i> .....	X. C. Steward, <i>Cas.</i> .....
TEX.... First National Bank,	Lampasas. { J. M. Malone, <i>V. Pr.</i> .....	Rob't Lytle, <i>Cas.</i> .....
WIS.... First National Bank,	Mineral Point. { Alex. Wilson, <i>V. Pr.</i> .....	Jas. McMillen, <i>Pr.</i> .....
		Frank E. Hanscom, <i>A. C.</i> .....

\* Deceased.

SOME CURIOUS AND RARE COINS have been secured for the Central Museum of the Madras Government. One of the most remarkable additions is a specimen of the "hook money" of Ceylon, which consists of silver wire first doubled and then bent into the shape of a fishhook, and stamped at the upper end of the shank, which is slightly flattened.

## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from December No., page 474.)*

- N. Y. CITY..... Opdyke & Co.; suspended December 8.  
 " "..... Chase, Seligsberg & Co.; now Chase & Seligsberg.
- ALA..... Columbia..... John T. Davis; now John T. Davis & Son.
- COL.... Crested Butte.. B'k of Crested Butte (Gill, Thompson & Co.); now Carlisle, Thompson & Co., proprietors.
- CONN... Hartford..... Putnam & Earl; closed business.
- DAK.... Grand Forks... First Nat'l Bank; went into voluntary liquidation Dec. 2.
- GA..... Dawson..... J. B. Perry; now J. R. Mercer & Co.
- IDAHO.. Eagle City..... Eagle City Bank; discontinued. Moved to Murray, and now Bank of Murray.
- ILL.... Bushnell..... Farmers' National Bank; failed December 2.  
 " .. Avon..... Avon Exchange Bank (O. J. Beam); assigned Dec. 12.  
 " .. Tonica..... Tonica Exch. B'k (M. C. Little); now E. E. Hamer, prop.
- IND .... Laporte..... Laporte Savings Bank; assigned to S. Easton, Dec. 24.
- IOWA... Albia..... Albia Nat'l Bank; went into voluntary liquidation Dec. 16.  
 " .. Elgin..... Citizens' Savings Bank; now Citizens' Bank.  
 " .. Menlo..... Stults & Bike; now S. F. Stults & Co.
- KAN.... Cherryvale..... Exchange Bank; now First National Bank.  
 " .. Minneapolis... J. P. Cummins & Co.; assigned to Chas. Fairfield, Dec. 17.  
 " .. Onaga..... Amos E. Landon; failed.
- MAINE.. Augusta..... Freeman's Nat'l Bank; now Augusta National Bank.
- MICH... Fremont..... Webber, Hewit & Co.; now S. W. Webber & Co.  
 " .. Portland..... L. Webber & Son; now John A. Webber.  
 " .. Sturgis..... First National Bank; now Nat'l Bank of Sturgis.
- MISS... Scranton..... Scranton Bank; suspended December 22.
- MO..... Maryville..... Farmers' Bank; succeeded by First National Bank.
- MONT .. Miles City..... Stebbins, Mund & Co.; now Stock Growers' Nat'l Bank.
- NEB.... Bellwood..... Northwestern Banking Co.; closed.
- N. J.... Freehold..... Freehold National Banking. Co.; went into voluntary liquidation December 12.
- N. Y.... De Ruyter... .. B'k of De Ruyter (E. B. Parsons & Co.); assigned Dec. 5.  
 " .. Mount Vernon.. East Chester Savgs. B'k; will close about Feb. 15, 1885.  
 " .. Middletown... Middletown National Bank; failed November 28.  
 " .. Schenectady.... City Bank; suspended December 15.  
 " .. Schenecus..... P. H. Mitchell & Co.; suspended December 9.  
 " .. Syracuse..... Wilkinson & Co.; assigned December 12.  
 " .. Batavia..... Genesee Co. National Bank; now Genesee Co. Bank.
- OHIO... Bucyrus..... Crawford Co. Bank; now Second National Bank.  
 " .. Toledo..... Raymer, Seagrave & Co.; assigned to E. H. Rhodes, Dec. 5.
- TEX. ... Austin..... A. P. Wooldridge; now City National Bank.  
 " .. Cisco..... J. R. Fleming & Co.; now Cisco Land & Collection Agency.
- WIS.... Beaver Dam.... Nat'l B'k of Beaver Dam; succeeded by First Nat'l Bank.
- WYO.... Buffalo..... Stebbins, Conrad & Co.; now First National Bank.
- CANADA Ridgetown.... J. Whyte & Co.; now Whyte, Somerville & McDonald.



## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

*(Continued from December No., page 471.)*

No.	Name and Place.	President.	Cashier.	Capital.
3269	Denver National Bank..... Denver, COL.	Jos. A. Thatcher,	A. A. Denman,	\$250,000
3270	First National Bank..... Beaver Dam, WIS.	John J. Williams,	J. H. Barrett,	50,000
3271	Augusta National Bank..... Augusta, ME.	Sam'l Titcomb,	S. B. Glazier,	100,000
3272	Mercantile National Bank..... Cleveland, OHIO.	T. P. Handy,	Chas. L. Murfey,	1,000,000
3273	National Bank of Boone..... Boone, IOWA.	Sam'l W. Moore,	Jas. Hazlett,	50,000
3274	Second National Bank..... Bucyrus, OHIO.	G. W. Hull,	J. C. F. Hull,	50,000
3275	Stock Growers' National Bank.. Miles City, MONT.	W. R. Stebbins,	F. E. Hammond,	100,000
3276	National Bank of Sturgis..... Sturgis, MICH.	Nelson I. Packard,	John J. Beck,	65,000
3277	First National Bank..... Cherryvale, KAN.	C. T. Ewing,	Chas. A. Mitchell,	50,000
3278	Union National Bank..... Chicago, ILL.	W. C. D. Grannis,	J. J. P. Odell,	1,000,000
3279	Galena National Bank..... Galena, ILL.	Rob't H. McClellan,	.....	100,000
3280	Fowler National Bank..... LaFayette, IND.	Moses Fowler,	B. Brockenbrough,	100,000

LIABILITY OF TRUSTEE WHEN BANK FAILS.—The question of the liability of a trustee for the loss of funds deposited by him in a bank in consequence of the failure of the bank, was recently decided in the case of *Norwood, administrator, v. Harness, et al.*, by the Supreme Court of Indiana. The court held that a trustee is not liable merely because, instead of undertaking to keep the trust money safely in his own house, he deposits it in a private bank which fails, nor because the bank is weak, unless that fact was known to the trustee, or might have been known by the exercise of ordinary prudence and diligence. The question in all such cases, said the court, is: Was the trustee reasonably prudent or diligent in making or continuing the deposit? If so, he will not be liable, although the bank was and had been insolvent. Such insolvency will not affect him unless he knew it, or unless it was generally known, or unless there were general rumors injuriously affecting the credit of the bank, which were known to the trustee, or might have been known by reasonable diligence. In this case the appellant was held liable for the loss of funds deposited by him in the Indiana Banking Company, it having been shown that the company had been insolvent for five years before its failure, and that it had the reputation of being an unsafe bank, facts which the administrator could have found out by reasonable diligence.

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, DECEMBER 1884.

Opening, Highest, Lowest and Closing Prices of Stocks and Bonds in December.					RAILROAD STOCKS.					RAILROAD STOCKS.					MISCELLANEOUS.				

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

As the business of October was paralyzed by the exciting campaign, so was that of November by the after-election excitement. But December has been a more hopeless paralytic than either, from a complication of financial and commercial disorders, which have confined business to its bed. Croakers have been out in full force during the past month, and they have had a perfect carnival of it, until business men, who do not stop to consider the situation, have become as badly scared as a timid boy passing a frog pond after dark. This is all there has been to intensify the depression, except the increased dullness incident to the closing of the year. Hence, all the loss of confidence and gloomy forebodings of worse times another year have resulted from this dyspeptic condition of trade. We have most, if not all, of the elements of recovery and prosperity which would send the blood of commerce through the veins of the body commercial, with new life and warmth, if we could only digest these elements and get them into circulation. Anything that will raise our spirits and confidence will restore our commercial digestion and send nourishment and revive trade. This is the true diagnosis of our commercial disease. The body is sound and its organs all right, if they can only be once set in motion. Prices have reached—for nearly every staple of commerce, besides meats and coal—a lower level than in 1877. Rents, real estate, coal and meats are higher, and will all go lower, unless outside causes come in to stop their falling, to a level with breadstuffs, produce, and manufactured goods. But further liquidation of these interests would not drag down and depress others. On the other hand, nothing would stimulate iron and other manufactures so much as cheaper coal. Next to that a reduced cost of living would compensate labor for reduced wages, and give it greater purchasing power. This, in turn, would increase demand for manufactured goods, which could be made at a profit at the reduced prices ruling, while they cannot now. Nothing, therefore, but renewed financial depression can prevent a commercial and industrial recovery or delay it long after the new year is fairly on its way.

As to the financial situation, it cannot be denied that it is not so sound or healthy as the commercial. The railroads on which our finances so largely depend, because so much money is invested in them, are not yet out of the woods. Indeed, some of them are in the dismal swamp of bankruptcy, and more are going there than are coming out. The best roads and their stocks and bonds are all right. But the number of that kind is getting smaller, because several of those formerly considered the best investment stocks are passing into the list of non-dividend payers. The competition among the great trunk lines, and the light traffic have rendered most of the Vanderbilt system unable to earn dividends, and so they have been passed on all but the Central and Harlem roads. The other trunk lines have been compelled to reduce their dividends and expenses largely.

The coal roads, however, are in worse condition, as darker times for them are ahead, while the trunk lines have, no doubt, seen their worst, unless we should get poor crops in 1885. The reduction in production of coal, agreed upon by the adoption of their allotment plan, must reduce their tonnage, and hence their earnings, still lower than for 1884, when they averaged 30c. per ton less for their season's output than in 1883. This involved a loss of about \$10,000,000 of their earnings, and takes most of them off the list of dividend earners, although the better ones were able to pay them out of the surplus from the past two years. A further reduction in output, or lower prices that shall stimulate consumption, is, therefore, inevitable. In either case their earnings must be still further reduced. Not only this, but their policy of keeping up the price of anthracite coal above what manufacturers could pay, has resulted in the substitution of bituminous coal very largely in iron and other manufactures, and among transportation companies. The Granger roads are threatened with more hostile legislation on account of the low price of farmers' products, which they think the railroads should share by lowering their freight rates in proportion. How far these threats will be carried out is a question, but the menace has caused pretty heavy selling of these stocks by Western holders, followed by those in the East in anticipation. The Pacific, or land-grant, and subsidy roads are likely to be overhauled by the next Congress for violations of their contracts with the Government, and insiders have been steady sellers of them since the election made certain a change in the Government directors. The Inter-State Commerce Bill now before Congress, although not enough feared to be opposed by the railroads themselves, has had the effect on stockholders to scare them, regarding its purpose as hostile to the roads, and its effects, if becoming a law, injurious. All these adverse influences are still at work against railroad securities, and are likely to affect them until the improvement in commercial and industrial affairs shall produce increased railroad earnings, when confidence and speculation will return again to stocks, and they will be boomed in utter forgetfulness of the present troubles. Yet with all these adverse influences on finances, there is no prospect of financial stringency, for so long as times are dull, money will be too plentiful to make the market tight. Failures, which still continue on a large and increased scale, will not be likely to produce anything like a panicky feeling in financial or bank circles, for the double reason that most of these failures are from old causes which present dull trade makes it impossible longer to conceal, and the strengthening by the banks of their position since last May and June. Hence the money market is likely to play as unimportant a part in business for three months to come as it has played for five months past. Bonds of Government for States or railroads, if beyond question, have been in more active demand of late, and have been firm, while stocks have gone down badly, led by the coal and Vanderbilt shares, as people who held the latter for investments sold them and put their money in bonds for greater safety. A little gold has been imported, and foreign exchange has reflected our light import movement of gold and merchandise on the one hand, and moderate export movement of produce on the other.

The industrial condition of the country has changed considerably within the month, many iron works in the Middle and Western States stopping, while

as many others have started up. But reduced wages have been the rule, and generally they have been accepted without strikes. As a result there are more people employed than a month ago, although at lower wages, and the aggregate earnings are probably more, with less distress. The Great Hocking Valley strike has ended in the defeat of the men, no matter what may be the justice of their cause. The shoe strike in Philadelphia ended in a compromise, and the carpet troubles are likely to end in the same manner. This policy is likely to be followed by workmen all through the country, and the result will be to set more and more industries in motion and employ more and more men. All this will help bring about better times, and are good signs.

The produce markets have suffered from the usual lack of export demand at this season, and, excepting cotton, which was bulled early in the month on reduced crop estimates, and manipulations in New York of the near months to sell the late ones, the tendency was downward until the last half of the month, when wheat led the upward reaction on investment and speculative demand until it advanced 8 cents, followed by the balance of the list. This is the first turn in these markets on their merits of this crop, and the long-suffering bulls are taking heart again. As wheat was the first article to liquidate and went lower than in the recorded history of the trade it is to be expected it should recover first and most sharply. There is no doubt it went too low. This may avert the expected further decline in corn and provisions, and speculation may revive and sustain both. A good export is expected after New Year, and that would still further sustain prices of these staples.

The enormous receipts of wheat from the North-west continued beyond all precedent until the last week of the month, and fully thirty days longer than expected or usual. This caused the fear that the crop was even larger than estimated, and many of those who had been "averaging down" their purchases of wheat from \$1.00 in New York and 80 cents in Chicago in anticipation of an advance so soon as the receipts should fall off, became disgusted and "threw over" their load just in time to see the long looked for reaction for which they were unprepared. The reaction has been sharper than actual demand and supply warranted as yet, although the prospective outcome of this crop year warrants a still greater advance before another crop can be made available. This fall's seceding is estimated 25 per cent. below last year, and the same will no doubt be true the world over. Beside there is not as much wheat in the world to-day as there was a year ago.

The corn crop has fulfilled its greatest promise, as it has been secured in fine condition, so that both quality and quantity are the best ever known. Whether these have been already discounted in the late decline is a question that can scarcely be answered until the movement, and stocks have reached their maximum. It is a maxim in the grain markets that a "stump tail" crop always drags down the good until the poor is used up. If the reverse holds true, then a crop of exceptionally good quality should bring above an average price, other things being equal. The prevailing sentiment is favorable to about the present prices, as well as for provisions, as hogs are not thought likely to go much below 4c. in Chicago. There has been a genuine Bull market for cotton but it was wholly in the hands of the large operators on

the Cotton Exchange. The public has taken no hand in it. The advance, however, was pushed rather too far on its merits, and the price is regarded as high enough. Coffee has also been bulled on predicted light crop, yet receipts at Rio, like those of cotton at the South, indicate larger crops than the bul estimates. Iron has dragged and changes have been toward a lower level. Petroleum has been dull and steady for the most part, as this is the season of maximum consumption and minimum production. Production, however has been kept up by new wells. But the public are out of oil and speculation is dull. More ocean tonnage is bound this way and lower freights are likely to stimulate exports next month. The dairy product markets have been heavy under another surplus held back by producers for higher prices in the fall, repeating the experiment of two years ago, when they held till spring and had to take the price of substitutes in order to get rid of their butter. Cheese is in better shape because stocks are not so large.

The general outlook for January is, therefore, more hopeful all around, though not bright. But there is no doubt we have seen the worst, and any change now will be for the better, except in those interests noted above which have not fully liquidated as yet. The bulk of the surplus of the great crops of 1884 has not yet gone into export, and as that demand usually revives after the New Year, the railroads will no doubt soon show increased earnings which will help financial as well as the commercial offices.

The reports of the New York Clearing-houses returns compare as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
Dec. 6...	\$ 288,044,800	\$ 86,494,600	\$ 38,270,400	\$ 329,870,400	\$ 11,537,200	\$ 42,297,450
" 13...	300,225,900	86,042,600	38,948,400	330,954,000	11,642,600	42,752,500
" 20...	294,342,400	86,852,200	37,695,200	335,443,100	11,686,300	40,686,625
" 27...	295,874,200	88,170,500	36,592,300	335,272,100	11,618,600	40,944,775

The Boston bank statement is as follows:

1884.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Nov. 29.....	\$ 143,352,600	\$ 7,326,800	\$ 7,163,300	\$ 98,711,900	\$ 23,137,800
Dec. 6.....	144,453,200	7,456,000	6,841,400	99,889,200	23,020,800
" 13.....	144,985,900	7,547,800	6,055,400	101,083,600	23,066,400
" 20.....	145,140,000	7,425,900	6,017,400	99,077,000	23,098,900
" 27.....	145,421,200	7,596,200	6,174,900	99,008,700	23,114,400

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1884.	Loans.	Reserves.	Deposits.	Circulation.
Dec. 6.....	\$ 73,004,417	\$ 23,363,299	\$ 70,562,385	\$ 7,902,593
" 13.....	73,203,638	23,339,942	70,910,190	7,877,257
" 20.....	73,238,198	23,475,360	70,858,973	7,892,314
" 27.....	72,853,958	23,411,133	70,449,816	7,852,255

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows:

QUOTATIONS:	Dec. 1.	Dec. 8.	Dec. 15.	Dec. 22.	Dec. 29.
Discounts.....	5@5½	5@5½	5 @5½	5 @5½	5 @5½
Call Loans.....	2 @1½	1½	1½	1½	1½
Treasury balances, coin.	\$ 125,439,490	\$ 125,561,883	\$ 125,602,053	\$ 124,202,507	\$ 124,565,123
Do. do. cur.	\$ 10,236,248	\$ 11,370,272	\$ 12,928,379	\$ 14,767,721	\$ 16,061,728

Sterling exchange has ranged during December at from 11.84@4.85½ for bankers' sight, and 4.80@4.81½ for 60 days. Paris—Francs, 522½@521½ for sight, and 525@524¾ for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, 480½@480¾; bankers' sterling, sight, 484½@484¾. Cable transfers, 484½@485. Paris—Bankers', 60 days, 525@524¾; sight, 522½@521½. Antwerp—Commercial, 60 days, 528½@527½. Reichmarks (4)—bankers' 60 days, 94¾@94½; sight, 95@95½. Guilders—bankers', 60 days, 39¾@40; sight, 40¾@40¼.

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## DEATHS.

DICKINSON.—On December 2, aged fifty-one years, M. H. DICKINSON, Cashier of the Deposit Bank, Glasgow, Ky.

FURMAN.—On December 11, JOHN M. FURMAN, aged seventy-one years, formerly Vice-President of the Fourth National Bank of New York, and President of the Manufacturers National Bank of Brooklyn, N. Y.

HOLBERT.—On November 30, aged forty-seven years, GEORGE S. HOLBERT, Cashier of the Oxford Savings Bank, Oxford, Mich.

JACQUES.—On December 17, aged fifty-six years, FRANCIS JACQUES, President of the National Webster Bank, Boston, Mass.

LINCOLN.—On December 16, aged fifty-five years, in New York City, CHARLES G. LINCOLN, formerly Cashier of the First National Bank of Bennington, Vt.

MORRISON.—On December 28, aged eighty-three years, EZEKIEL MORRISON, President of the First National Bank of Laporte, Ind.

ROGERS.—On November 10, aged forty-four years, SAMUEL T. ROGERS, Cashier of the National Bank of El Paso, Ill.

SHERMAN.—On December 4, aged eighty-three years, AUGUSTUS SHERMAN, President of the First National Bank of Glens Falls, N. Y.

STANDISH.—On December 12, aged sixty-seven years, JOHN D. STANDISH, President of the Market Bank, Detroit, Mich.

STANLEY.—On December 2, aged fifty-five years, CLINTON W. STANLEY, President of the City National Bank of Manchester, N. H.

STUDWELL.—On December 12, aged seventy-one years, JOHN J. STUDWELL, President of the National City Bank of Brooklyn, N. Y.

THE

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AND

## Statistical Register.

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### BANKING LEGISLATION.

The prospect of the enactment of any helpful banking legislation by the present Congress is poor enough. The Lower House, especially, is not inclined to do anything to improve the condition of the banks. The few hours spent in discussing the McPherson bill clearly showed that the House would not intentionally do anything to perpetuate the life of these institutions. Nor is the prospect brighter of more favorable legislation by the next Congress. The plain truth is, the dominant party in the Lower House regard the National banking system as a Republican institution, and therefore not worthy of support. Of course, this view we regard as highly erroneous; but the speeches made and the conversations of the members that are reported confirm this opinion.

With respect to the merits of the McPherson and Potter bills, they are well understood by bankers, and nothing need be said here. Opinions vary about the relief that would be given by them, but certainly they could do no harm. What is to be regretted more than anything else is the manifest hostility to the banks displayed by Congress. The members do not propose to help these institutions in any event. On the other hand, a deep feeling exists that their circulation ought to be retired, and legal tenders put in its place. The drift of talk among members of Congress is in this direction. They say there are notes enough outstanding now; if not, put out greenbacks. That is the solution offered. This is not a pleasant fact for the banks to contemplate, but they should do so, nevertheless. However sound may be their circulation, how-



ever great may have been their services to the business of the country, all this counts for very little with the majority in the Lower House of Congress.

If Congress should adjourn without passing either the McPherson or the Potter bill, the country banks especially will suffer. Without deriving some profit from issuing notes many of them would find banking an unprofitable business. Their deposits are too small to pay for keeping the doors open. It is to be hoped that Congress even yet will grant some relief, but our hope, judging from the hesitation of the House thus far to do anything, is very weak.

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### NEW YORK ANNUAL BANK REPORT.

This document contains several matters of considerable interest. It is a review, not only of the incorporated banks and banking associations of the State, but also of individual bankers and trust, loan, mortgage, security, guarantee and indemnity companies. No other State report falling under our notice deals with such a variety of banking institutions. Some of the features of this report we shall briefly consider.

On the first day of last October there were eighty-nine regularly organized banks of discount and deposit existing in the State. Of this number eighty-six were associated banks, two were individual banks, and one, the Manhattan Company of New York City, was chartered by the Legislature in 1799. This company, by the way, was ostensibly organized to furnish a supply of water for the city, and the banking privileges were smuggled into the charter. At that time no charter for a bank could be obtained openly from the Legislature, because the Bank of New York, then existing, was powerful enough to prevent the creation of a rival. It filled, in that day, the place long occupied by the Bank of England, and it was determined to maintain it as long as possible. The Manhattan projectors conceived the idea of getting a charter for another bank in the manner described, and were successful. This piece of strategy was the product of the fertile brain of Aaron Burr. How changed the times! Monopoly in banking, as in many other things, has long since passed away, never to return. Those who live in fear of monopolies at the present hour should take new heart after reading this bit of history.

The condition of the banks at the times mentioned in the following table is stated on the authority of the Superintendent's report:

RESOURCES.	Condition Sept.	Condition Sept.
	22, 1883.	20, 1884.
Loans and discounts, less due from directors.....	\$ 92,495,044	\$ 88,515,326
Due from directors.....	3,843,919	3,595,641
Overdrafts.....	145,212	260,434
Due from trust companies, State, National and private banks and brokers.....	12,958,753	11,504,281
Real estate.....	2,277,849	2,732,910
Bonds and mortgages.....	521,665	510,129
Stocks and bonds.....	2,903,559	4,310,684
Specie.....	6,608,161	11,298,772
U. S. legal-tender notes and circulating notes of National banks.....	5,785,423	7,787,784
Cash items.....	32,192,097	25,504,478
Loss and expense account.....	361,765	384,010
Assets not included in either of the above heads.....	622,674	1,041,545
Add for cents.....	272	281
Total resources.....	\$ 160,716,393	\$ 157,446,275
LIABILITIES.	Condition Sept.	Condition Sept.
Capital.....	\$ 21,761,700	\$ 22,150,700
Surplus fund.....	6,401,976	6,579,456
Undivided profits.....	4,744,442	5,213,446
Circulation.....	23,241	63,658
Due depositors on demand.....	113,914,963	109,550,334
Due to trust companies, State, National and private banks and brokers.....	10,812,056	11,692,388
Due individuals and corporations other than banks and depositors.....	2,171,845	1,506,839
Due Treasurer of the State of New York.....	61,065	12,677
Amount due not included in either of the above heads..	824,975	666,626
Add for cents.....	130	151
Total liabilities.....	\$ 160,716,393	\$ 157,446,275

A subject of much interest just now discussed in the report is the worth of bank examinations. Previous to last May the Superintendent had no authority for examining into their condition, unless he had good cause for suspecting that a banking association or individual banker was making incorrect or imperfect quarterly returns, or was in an unsound condition for business. As the Superintendent states, the fact that he was required to be in possession of information of the insolvency of a bank before he could direct an examination of its affairs to be made, rendered the provisions of the law, with respect to inspection, of no practical value; for the power conferred on him could be exercised only at the hazard of destroying the credit of the bank examined, should the facts prove the suspicion of insolvency to be without foundation. Last year, however, the Legislature remedied this defect in the law, and the Superintendent is now authorized to make examinations whenever in his judgment they are necessary. In pursuance of the authority conferred by this statute, he says: "A system of regular examinations has been inaugurated which cannot fail to be of great advantage to both the banks and their patrons." Previously the weakest feature of the State banking system was the omission of regular official examinations.

Now that the omission has been supplied, the banking system of New York State is as nearly a perfect system as has yet been devised. The beneficial effect of examinations will be felt in the correction of abuses which may have grown up in consequence of the immunity of the banks from regular and thorough investigation of their affairs.

The examinations thus far made under the new law show the officers and directors of our State banks, as a rule, have an honesty of purpose, a fidelity in administration, and a true conception of the real purpose and function of a banking association. In the past, with but remarkably few exceptions, the State banks have been prudently and faithfully managed, and would doubtless continue so without regular examinations; nevertheless, it is true that some, through ignorance, neglect, or willful violation of law, have brought themselves into a condition to require the application of remedial measures.

It is worthy of note that the examinations have developed the fact that the strongest and best managed banks encourage the most rigid investigation into the condition of their affairs, with a view of ascertaining if errors exist, either of omission or commission, and when such have been discovered, their officers have been prompt in having them corrected.

Why should a State having such large banking interests have been so slow in establishing all the safeguards that human wisdom can provide for sound banking? Perhaps the controlling voice has thought that official examinations were of no value—possibly injurious even by creating a false security. Though not always as rigid and thorough as it ought to have been, nevertheless public supervision of banks in general has been of some value, and, as just stated, the best conducted institutions welcome it. They clearly see that every additional safeguard and wisely conducted examinations have a good effect. With an occasional exception they have been conducted so wisely that perhaps less need existed for supervision than in States possessing fewer banks, where competition among them is less keen, and their conduct is not so closely watched and criticized by each other. The history of banking in New York for a long period has been highly creditable to all concerned. During the last fiscal year four banks were placed in the hands of a receiver, and of these, the Superintendent says, it is thought that the assets will be sufficient to reimburse the depositors in full, and it is also probable that the stockholders will be paid a large percentage of the par value of capital stock held by them.

Another interesting point considered in the report relates to the certifying of checks. The Superintendent states that he was asked to approve the proposed passage of a bill by the Legislature similar to the existing law enacted by Congress. This law provides that it shall not be lawful for any officer, clerk, or agent of a National bank to certify a check drawn on it, unless the drawer shall at the time of certifying the same, have on deposit in the bank a sum of money equal to the amount of the check. A fine of not more

than \$5,000, or imprisonment, is imposed in the event of conviction against a bank. The Superintendent does not state clearly whether he favors or opposes the proposed law. The custom of certifying checks originated with the banks of New York, and the Superintendent maintains that "the loan of other capital, and experience, does not indicate that such loans of credit have been a source of disaster to either the banks of the State or the National banks."

A practice has been inaugurated for the convenience of the customers of certain of the State banks, which is not reprehensible, and is a legitimate banking transaction. Due inquiry having been made as to the standing and character of their dealers, certain facilities are granted. For example, a draft for \$25,000 is due at a day certain upon the customer of a given bank, who has to his credit \$6,000. An application is made by him for a loan of \$20,000 upon securities that will be attached to the draft; if, upon examination, they are satisfactory the bank makes the loan. When the draft is presented to the customer, instead of giving a check upon the bank, which would doubtless be at once presented for certification, thus overdrawing the accounts \$19,000, the customer accepts the draft payable at the bank. It is thereupon presented at the bank, with the securities attached. The bank, having given the collaterals due consideration, detaches the same, retains them, and then certifies the draft, which goes through the Clearing-house. The customer thereupon gives his note for \$20,000, with the previously-mentioned collaterals attached. This plan may be modified to facilitate business and accommodate dealers. It is reasonably safe, and, it is submitted, does not call for any criticism from the source indicated.

The Superintendent has some remarks on the report of the Comptroller of the Currency pertaining to this subject. Mr. Cannon showed that the liabilities of the National Bank which failed in New York during the last May panic, were much less than those of the State banks and private bankers that failed during the same period. The Superintendent says in defence of the State institutions that, as a matter of fact, no losses have been sustained by the failure of any State bank in New York City during the last year, except possibly the Wall Street Bank, and even this will pay its depositors in full. He says, too, that the failure of this bank was not due to the illegal certification of checks, but theft on the part of one of its officers. We should infer from his statements that, on the whole, he does not favor the proposed law relating to certification. Opinion on this subject is sharply divided. One of the reasons why several of the National banks withdrew from that system and reorganized as State banks was to continue their practice of certifying. If the State enacted the law proposed and enforced it, the very object of reorganizing under the State law would be defeated. The banks engaged in the business regard it as safe and legitimate, and are determined, if possible, to continue it; and probably if the

law proposed were enacted, a way would be found for the successful evasion of it. But the great majority of bankers are certainly opposed to the business. No bank should assume a risk so great.

The last point that we shall notice in this report relates to the issue of a bank currency. The free banking system of New York was established in 1838. After that time any person could freely engage in the business of banking, subject to uniform restrictions. The Superintendent, says that with a few amendments suggested by time, it has become "the model system."

Not only will a comparison show that the National Bank Act is a transcript of most of the essential features and fundamental principles of the above-mentioned law of 1838, but in 1844 its primary principle of separating the issue department from the banking department, coupled with the pledge of securities, was adopted by the Bank of England when its charter was renewed that year.

Indeed, I have yet to see any conclusive reason given to sustain the theory that the business of Government and the business of banking are so identified that it is practically impossible to separate these interests. The Bank of England has money due to it from the Government, but otherwise it is perfectly independent. In times of great National peril any means may be used to maintain the honor and integrity of the nation, but in these times of profound peace a return should be had to the practices, which experience has shown to be safe and in consonance with the conservative theory of Government.

Congress may exercise the power, given it by the Constitution, of regulating the currency of the country, but the privilege of issuing circulating notes should be given to State banks subject to proper restrictions, making such issues co-ordinate in worth with gold. Many persons in this State are at this time engaged in the business of banking, as free from the control of the banking laws as men dealing in merchandise. Such persons perform nearly all the functions of an associated bank. It is only where individuals come together as associations to carry on a banking business that they are amenable to discipline, and having subjected themselves to the regulations that experience has demonstrated to be for the best interests of all, such associations should receive the legitimate benefits naturally accompanying their occupations.

The source of weakness in the National Banking system, Mr. Payne says, is that, to insure its permanence, the National debt must remain unpaid, "a debt which ought to be paid, and naturally will be, within the next twenty-three years." Of course, if the debt is paid, the National bank currency must be retired. He suggests, however, that circulating notes secured by the deposit of approved State and other proper bonds might be issued to duly organized State banks subject to suitable supervision, thus insuring a National currency. He declares that the credit of most of the States and some of the corporate towns and other civil divisions is second only to that of the United States. If their bonds were used as a substitute for a monetary circulation, a new demand would be created in every State for its bonds, and "the fact that

every taxpayer would be interested in maintaining the credit of his own State would go far towards making him protect its good name as he would his own." The past history of State credits scarcely warrants, we think, such a hopeful conclusion concerning their future conduct. We quite agree, though, with the Superintendent, that however perfect the National bank circulation may be, we cannot afford to pay the interest on the National debt in order to maintain that circulation. The debt must be paid as rapidly as our circumstances will admit; nor have we the slightest doubt that with the experience now acquired in providing a monetary circulation, a way will be easily found for always maintaining a sound money in sufficient quantity to meet all the requirements of the people.

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### NATIONAL BANKRUPT ACT.

Ever since the repeal of the last National Bankrupt Act an effort has been made to pass another. The defects of that law were numerous, though it may be questioned whether Congress would not have acted more wisely in amending than in repealing it. In view of our past experience in bankrupt legislation, and that of Great Britain, it would seem possible to enact a law which should prove helpful to the people. It is everywhere admitted that creditors do not have a fair chance in the distribution of the assets of debtors without federal intervention. So long as State laws exist, those living nearest to the debtor, his friends and relatives and interested parties, will gain unfair advantages over others. These evils can be corrected only in one way. The merchants in many parts of our Union, Boards of Trade and other associations, have been imploring Congress for a long time to provide relief. Bills have been prepared with great care, and submitted to both Houses of Congress. The Senate has spent much time on the subject, and has passed a bill which it is believed will remedy all the principal defects that appeared in the working of the former law. The House, however, is disinclined to pass the measure; no good reasons, however, appear to justify such action. The members doubtless understand perfectly well the sentiment of the business men of the country on this subject, and although the Session is very short, there is time enough to debate and pass the Senate bill if the House were so inclined. It will be difficult for the members to justify their refusal to act with their constituency. It is, in truth, one of the most pressing measures pending before Congress. Not to pass the bill would add to the depression now existing among business men. We trust that, after all, Congress will not adjourn before enacting this most important measure.

## GRAIN RATES BETWEEN NEW YORK AND CHICAGO.

The table on the next page, giving the rates for transporting grain from Chicago to New York during the last twenty years, is interesting. The figures represent a depreciated currency which must be considered in making the comparison. The fact must also be noted that the actual rates often varied from the schedule rates, which are the ones above given. Moreover, the variations were more frequent formerly than they are at the present time. Making due allowance for these things, the table clearly shows that the shipper has been getting a pretty regular reduction on his freights throughout the period mentioned. If, however, we listened only to him, we should probably conclude that he was the worst served man on our planet. We all know that while the interests of the shipper and transporter are theoretically and in a true sense the same, in making contracts their immediate interests are antagonistic. The carrier wishes to get the highest rate; the shipper, the lowest; and this conflict of interest has always existed, and, for ought we know, will exist for a long time to come. If the State should purchase the railroads, the shipper would simply deal with a different party; whether he would be better served by the change cannot be foretold.

The contest now going on between the Western farmers and the railroads indicates clearly the real animus which moves both parties. The farmer is desirous of having the rates reduced because he is getting a lower price for his produce than he received a few months ago; in other words, he is desirous of having the rates based on the principle of what the freight will bear. The railroad companies proposed this a few years ago when the prices were high, but the shippers scorned the proposal. It is the old story that prevails in business almost everywhere, each party is desirous of getting more than half the loaf if possible. Perhaps the transporter can get the advantage of his customer in most cases, but let us not lose sight of the fact, when considering this question, that the shipper is not the possessor of superior virtue. Both parties are alike in that regard. If the State therefore should interfere, if railroad commissioners were appointed and rates for transportation established, such action could be justified only on the ground of equalizing the profits of the two classes. If the State could effectively do this, the achievement would be truly great and worthy, but the undertaking would be exceedingly difficult. Moreover, the underlying principle is far-reaching and may be justly applied to all classes. There is no particular reason why the State should limit its action or interference to these two classes. It is clear, therefore, from this glance at the

question that it is of momentous importance, and cannot be solved in an off-hand manner.

The following table is extracted from a recent number of the *Railroad Gazette*:

(In cents per 100 lbs.)

Date.	Rate.	Date.	Rate.	Date.	Rate.
1864:		1869:		1877:	
Mar. 28....	100	Jan. 1....	75	Jan. 1....	30
April 4....	90	Jan. 25....	70	Jan. 2....	35
April 12....	80	Mar. 11....	50	April 2....	30
April 14....	75	1870:		Sept. 4....	35
July 11....	80	Jan. 1. . .	50	Oct. 17....	40
July 22....	85	Jan. 22....	55	1878:	
July 28....	80	Mar. 4....	50	Jan. 1....	40
Sept. 7....	90	Mar. 22....	45	Mar. 11....	30
Sept. 10....	95	May 23....	40	April 1....	25
Nov. 12....	100	Aug. 29....	45	May 17....	20
Nov. 16....	115	Aug. 31....	50	Aug. 5....	25
Nov. 28....	125	Oct. 31....	55	Aug. 17....	30
Dec. 13....	138	Nov. 22....	60	Nov. 25....	35
Dec. 24....	160	1871:		1879:	
1865:		Jan. 1....	60	Jan. 1....	35
Jan. 1....	160	Mar. 4....	50	Feb. 1....	20
April 22....	100	April 7....	45	Mar. 1....	18
May 15....	70	June 26....	40	April 1....	15
Sept. 6....	62½	July 10....	45	May 1....	10
Sept. 11....	70	Aug. 11....	50	June 9....	15
Sept. 27....	77½	Sept. 21....	55	June 22....	20
Oct. 10....	85	Oct. 2....	60	Aug. 4....	25
Oct. 17....	95	Oct. 25....	65	Aug. 25....	30
Oct. 27....	105	1872:		Oct. 13....	35
Nov. 2....	115	Jan. 1....	65	Nov. 10....	40
Nov. 7....	120	Mar. 25....	60	1880:	
Nov. 9....	130	May 1....	50	Jan. 1....	40
1866:		Aug. 26....	45	Mar. 1....	35
Jan. 1....	130	Sept. 2....	50	April 14....	30
Jan. 9....	80	Sept. 9....	55	Nov. 27....	35
Feb. 26....	70	Sept. 16....	60	1881:	
May 11....	55	Oct. 14....	65	Jan. 1....	35
June 7....	60	1873:		Feb. 1....	40
July 5....	65	Jan. 1. . .	65	Mar. 1....	35
Sept. 18....	75	April 14....	60	April 1....	30
Sept. 27....	85	May 20....	45	April 11....	25
Oct. 10....	90	Sept. 5....	50	April 18....	30
Oct. 15....	100	Nov. 20....	55	June 8....	25
Nov. 5....	105	Dec. 8....	60	June 15....	15
Dec. 8....	90	1874:		Sept. 26....	12½
1867:		Jan. 1....	60	Oct. 10....	15
Jan. 1....	90	Feb. 3....	55	Nov. 1....	20
Feb. 7....	80	April 15....	40	Dec. 9....	12½
Mar. 4....	70	May 6....	45	1882:	
Mar. 22....	60	Dec. 11....	40	Jan. 1....	12½
April 15....	50	1875:		Jan. 28....	20
June 8....	75	Jan. 1....	40	Mar. 25....	25
June 21....	70	Oct. 1....	30	Dec. 1....	30
Sept. 2....	75	Oct. 12....	40	1883:	
Sept. 23....	85	Dec. 1....	45	Jan. 1....	30
1868:		1876:		April 19 ..	25
Jan. 1....	85	Jan. 1....	45	Nov. 26....	30
Sept. 1....	60	Mar. 7....	40	1884:	
Sept. 7....	65	April 13....	35	Jan. 1....	30
Sept. 14....	70	April 26....	22½	Jan. 5....	20
Dec. 6....	75	May 5....	20	Jan. 14....	30
		Dec. 18....	30	Mar. 14....	20
				Mar. 21....	15
				June 24....	20
				July 21....	25



## THE NATIONAL SURPLUS.

The huge National surplus which a short time ago disturbed the souls of so many has shrunk to very small figures. They were told that the revenues would inevitably fall off, and that we should go slow in remitting taxation; but a large class have been strenuous in their demands for diminished taxation and the abolition of the surplus. These disturbed ones were not the millions who are paying the debt, but the few who are receiving the interest and who wish to receive it in the future. A National debt in our country ought not to be tolerated any longer than is possible. The conditions of our country are so unlike those of the Old World that the people will never pay interest very long on public obligations with patience. Abroad, the moneyed classes control, and can insist on the continuance of a burdensome interest-charge; yet, even in some European countries, not a few are beginning to look with alarm at the situation. The opinion is gaining more and more ground that some of the European National debts will never be paid. England is seriously engaged in reducing hers, wisely foreseeing that with the extension of the suffrage the people will be less inclined to pay the heavy interest-charge than they have been. In Germany, the National debt is not large, and the economical expenditure, except for the maintenance of the army, might be wisely imitated by other nations. The safety of the debt of France consists in the diffusion of it among the people. The Spanish debt has been repudiated from time to time, and the Russian debt probably will be. The Austrian debt is regarded as insecure, while the low value of Turkish obligations is everywhere known.

For several years our country has enjoyed great prosperity, and the people have paid a large portion of the public debt without inconvenience. They have had the money to spend, and have spent it gladly. They have bought heavily of the Old World, and in so doing contributed toward the payment of the debt. But a different state of things now exists. The people are buying much less, consequently the revenues have diminished and the surplus has fallen off. Another fact is worth noting in this connection. Our imports even now are much larger than they should be. In other language, many of the goods imported should be made at home. Were this done our revenues would be further reduced. We are inclined to believe that our enterprising manufacturers will make further efforts to rescue a portion of the trade which is now enjoyed by foreigners. There are many things, especially woolen goods and in the metal line, which we can make in this country, and as the price of labor

and raw materials diminishes, the chances improve for widening the field of production at home. There is no prospect, therefore, of having such a surplus as we had a few years ago. No need, then, exists for troubling the country with plans for reducing taxation. The laws may be changed to advantage with respect to the mode of collection, but the amount of revenue that is likely to accrue under the present system will be none too large. It is very doubtful if there will be enough to answer the requirements of the sinking fund. In any event, in view of the decline that has taken place and the prospect of further reductions, Congress need spend no time in finding ways for further reducing the revenue.

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### THE PENSION BILL.

Whether Congress will adjourn without passing several heavy pension bills remains to be seen. We fear Congress will not stop before pensioning all who were engaged in the war whether disabled or not, beside providing for the families of the soldiers who perished. If the bill for pensioning the Mexican soldiers is passed, Congress cannot stop until all this is done. If those who went to Mexico to take part in a war of conquest are to be pensioned, though not injured by the event, surely those who risked their lives to save the Union have a much higher claim for receiving a gift of that kind from the people. No doubt, in the various laws that have been passed paying bounties and giving pensions to our soldiers, some inequities have been wrought which should be corrected, but there is no reason whatever for the colossal expenditure of money on the healthy soldiers who took part in either of these struggles. It seems to us that Congress is not sufficiently mindful of the families of the dead, and too mindful of the soldiers who are living. Of course the explanation is very simple. The living soldier has a vote; the children and wives of the dead soldiers cannot vote. In other words, a very considerable part of the sum now bestowed as pensions is the price paid through the action of Congress by the people for the suffrages of the soldier. Of all the forms of bribes offered to men, this is one of the most seductive, far-reaching, and dangerous. In the old Roman times the State used to buy corn in enormous quantities and give it to the people, not simply to prevent riots, but as a kind of bribe to gain their good-will and support. The expense was borne by the people, and added to their tax bill.

A large proportion of the soldiers, be it said to their praise, are opposed to these gigantic pension schemes. They do not wish to be considered as paupers or beggars. They are quite content with

the money and the glory they have received; but there is a class, the pension agents, who are deeply interested in all schemes of the kind. There are firms in Washington who have made enormous sums from pension transactions. They are in league with some of the senators and representatives in pushing these measures. It is easy enough to find a member who will introduce a pension bill, but they are only few in number who dare oppose one. The members understand perfectly well that these measures contain very little merit, yet are passed without much opposition. Senator Sherman has been one of the strongest and ablest bulwarks against this irrational legislation. It is said that when the House enacted the last great pension law, it was passed supposing that the Senate would kill it, and the Senate passed the law supposing the President would veto it, and the President signed it, saying, if the two houses were foolish enough to pass such a measure, on them should rest the responsibility. Mr. Sherman was then Secretary of the Treasury, and endeavored to show that the measure would prove a fearfully costly one, but his arguments availed nothing. Congress was determined to pass it, and they probably would have done so, even if the exact cost had been fully known at the time the measure was before the two houses.

The Mexican Pension Bill should not pass; not a single argument can be advanced in its favor. It is not a measure of justice. No one was obliged to go to the Mexican War; the war itself was unnecessary. Those who enlisted did so voluntarily, with their eyes wide open. Their going and fighting was purely a business affair. The Government paid them well, and all the disabled ones were pensioned. We perceive no reason why the rest should be pensioned in preference to those who were engaged in a different business at that time. The time for legislation this session is short, and every hour is need for maturing and passing bills of greater importance.

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## FINANCIAL FACTS AND OPINIONS.

The deficiency in the public revenues of \$641,384 in December to meet the public expenditures, following a deficiency in November slightly larger, has satisfied everybody that Mr. McCulloch's estimate of a surplus during the current fiscal year of \$39,000,000, besides meeting the sinking fund requirement of \$47,620,201, was wide of the mark. The surplus for the first six months of the year was \$31,501,864, and we shall be fortunate, now that the depression has begun to be felt in our foreign trade, if there is enough surplus during the last six months of the year, added to the surplus in the first six months, to take care of the sinking fund. The thing which prudence obviously requires of Congress, is to vote down every bill which takes off or reduces any existing tax, unless in and by the same bill an equivalent new tax is imposed. The expenditures should also be closely watched. All new schemes and projects for spending money should be closely criticized, and even desirable outlays, unless they are also absolutely essential at this time, should be postponed to a more convenient season. The day for hunting up wild expedients for getting rid of an imaginary surplus has gone by for the present.

In Secretary McCulloch's report the opinion is expressed, in respect to the continued coinage of silver dollars, that its "ultimate tendency must be to drive the full-valued currency out of circulation." The London *Economist* of December 6, commenting upon this opinion, says:

Although it would take a long period of persistence in the present wrong-headed policy to produce this result, there is no doubt that Mr. McCulloch has correctly stated its ultimate issue.

The available cash balance in the Treasury January 1 was \$140,811,929, which was only \$2,116,227 in excess of the forty per cent. reserve which it is the rule of the Department to hold for the redemption of the greenbacks. Mr. Morrison has offered a bill in the House requiring the application to the public debt of all monies in the Treasury in excess of an available cash balance of \$100,000,000, but we doubt if it will become a law during the present session of Congress.

Of the whiskey in the possession of the Government, the limit of three years, at the end of which the internal revenue taxes must be paid, expires in respect to 11,202,146 gallons during January, February, March and April. During the remaining eight months of this year it expires upon only 3,362,060 gallons. We are near the end of the extraordinary receipts from whiskey, arising from the re-

refusal of Congress to extend the three years limit. When those receipts are over, the total internal revenue will fall off largely. The Committee of the New York Produce Exchange on Distilled Spirits estimates the total manufactures of new whiskey for the present year at only 8,000,000 gallons.

The London *Economist*, of December 27, after stating the great fall during 1884 in the prices of American railroad stocks in general, refers to certain stocks, viz., the Pennsylvania, Baltimore and Ohio, Chicago, Burlington and Quincy, Illinois Central and Chicago, Rock Island and Pacific, as not having "receded to an alarming extent." It then says:

' Unfortunately, some of these sounder issues are not known in this market, *although there are few of the really unsound undertakings missing from the London list.*

Good American railroad stocks are not likely to be sent to London or any other place in Europe, there being abundance of capital here to hold them. Furthermore, while there is an investment demand in England for sound, first-mortgage, American railroad bonds, there is none for American railroad stocks, which are chiefly dealt in by the speculators and gamblers who abound in London, Paris and other wealthy cities in Europe, and whose dealings are mainly on margins. Europeans, who have heretofore invested money in our railroad stocks, are now returning them here for sale.

Under the Fishery Treaty with Canada, which is about to expire under the notice to that effect heretofore given by Congress, the results to us would seem to have been ruinously disadvantageous, according to figures prepared by Collector Babson, of Gloucester, Mass. Under it we have paid for the privilege of fishing inside of the three-mile line from the Canadian shores, in addition to the \$5,500,000 awarded against us by arbitrators, no less a sum than \$7,488,000, or at the average annual rate of \$624,000 for the twelve years of the duration of the treaty, in the shape of the remission of duties on Canadian fish, which are admitted free. The only offset is a catch by American vessels during the twelve years within the three-mile line, of 95,480 barrels of mackerel, of a total value of \$2,100,802. And, furthermore, if Mr. Bolson's calculations are correct, there has not been a single dollar's profit on this inside fishing. But if it was all profit, we have only received one dollar where we have paid six. This Fishery Treaty was a fitting sequel to the general Treaty of Reciprocity with Canada, negotiated during Gen. Pierce's administration in 1854, and which Congress, with the universal concurrence of public opinion, abrogated at the first moment when it became possible to do so. The Gloucester fishermen are not moving a day too soon in sending in their protests against reciprocity in fish with Canada on any terms. The itching of American diplomatists to make treaties of some kind is so ex-

trème, that we are always in danger of having sprung upon us some secretly concocted monstrosity.

The private information received from London confirms what comes through public channels, that the financial depression is greater in England than in this country, and that as yet there are no signs there of returning confidence. The balance of our current merchandise trade is heavily in our favor, \$33,000,000 in the single month of November, and still continuing to be very large. As our net imports of gold are not much in excess of our net exports of silver, we must be importing American securities, which is an advantageous circumstance, if we do not pay too high prices for them. The falling off in our imports and the favorable balances of our foreign trade, prove conclusively that our currency is not redundant, and that our prices are not too high relatively to currencies and prices in Europe.

The persons who think that the danger of attacks upon this country is so imminent, that the creation of a great navy is the most pressing duty of American statesmanship, will be somewhat relieved by knowing that the London *Economist*, of November 15, speaks of the United States as "the mighty Republic which no European power, possibly not even coalesced Europe, would causelessly provoke."

The Italian Chambers were informed in December, by the Finance Minister, that since the resumption of coin payments there had been withdrawn and canceled bank notes for 231,500,000 francs redeemed in gold, and for 116,500,000 francs redeemed in silver, leaving the amount outstanding 252,000,000 francs. During the same time the circulation of Government notes had increased 18,000,000. Altogether the reduction of paper circulation had been 330,000,000 francs, or about \$66,000,000, which is about two-thirds of the amount of gold and silver borrowed in foreign countries by the Italian Government for the purpose of effecting the resumption of coin payments. On that statement of the case there was no contraction of the volume of Italian currency, and what has happened has been a certain depletion of the metallic currencies of other countries. It is said that none of the new gold and silver brought into Italy by borrowing has as yet flowed out. So far as it was merely substituted for paper previously in use, it produced no inflation of currency and prices.

The Greek loan offered in the market by a Berlin syndicate, intended to raise funds for the purpose of effecting a resumption of coin payments in Greece, seems to drag. The London *Economist*, of December 13, said that not more than a fourth part of it had then been taken.

The exports of silver from Great Britain to India during the first eleven months of 1884, amounted to \$35,488,590, as compared with \$28,890,610 during the same months in 1883.

The rise and fall in the prices of the merchandise imports and exports of France during each year, as compared with the preceding year, are very carefully ascertained. During the three years 1881-2-3 the fall of prices was continuous in both imports and exports, but greatest in the imports, as shown by the following table :

Date.	Fall in price of imports.	Fall in price of exports.
1881 .....	3.7 per cent.	3.7 per cent.
1882 .....	3.1 " "	0.6 " "
1883 .....	3.8 " "	2.1 " "
	10.6 " "	6.4 " "

The fall in 1884 is not yet officially ascertained, but must have been much greater than in either of the three preceding years.

The Vienna correspondent of the London *Economist* of December 20 is authority for the general statement that of the 1,917 million marks of the new German gold coinage (the mark being about twenty-five cents), a good deal has been exported, and for the particular statement that 300 million marks are "known" to have been melted down and recoined in the French and Belgian Mints. The same correspondent says, in reference to Germany, that "there are still great numbers of the old silver thalers in circulation." It has long been understood that two-thirds of the coin reserve of the Bank of Germany consist of silver thalers, which have not been demonetized, and are still a full legal tender.

The Italian Government gave notice, in respect to the interest payments of January on the public debt, that sums of fifty francs and less would be paid in small silver coins, and that all sums above that limit would be paid, fifty francs in such coins, one-fourth in gold, "and the rest in notes." But in that country at the present time all kinds of silver are kept at a parity with gold by limitation of quantity, while both bank and State notes are kept at the same parity by a redemption in coin.

Nothing has so annoyed and confounded Europeans, and so profoundly impressed them with a sense of the financial resources, and as a consequence of the power in every respect, of this country, as the fact that, within the five years ending November 1, 1884, it paid off six hundred million dollars of debt. As a protection against foreign wars, there can be no manner of doubt that a resolute continuance in liquidating our debt will be worth more to us than all the navies we can possibly construct. They begin to believe already in Europe that our capacity to raise money is exhaustless. Thus, the London *Economist* of December 20, speaking of the possible effect of the threatened construction of a Nicaragua canal to compel M. de Lesseps to admit the United States to share in the control of the Panama Canal, says:

The confidence of his shareholders will not enable them to measure purses with the Washington Treasury, which could waste in

one year the whole capital of the Panama canal without incurring even a temporary deficit. No private association, even if it has M. de Lesseps as chairman, can compete in financial resources with the Washington Treasury.

A member of the United States House of Representatives from Kansas, who was interviewed early in January, is reported to have said:

A war would do us good, anyhow. It is the only thing that will relieve the stagnation and business depression that prevail everywhere.

War brings higher prices both for food products and for manufactured goods. It does this in various ways, but most frequently by causing floods of paper money. There are, at all times, classes which want war, but they are most active and numerous at periods of depression. They constitute a financial danger, because they are always sure to throw their weight in favor of schemes and projects tending to produce war.

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## EFFECT OF ISSUING LEGAL-TENDER NOTES AND SUSPENDING SPECIE PAYMENTS.

[CONTINUED FROM THE JANUARY NUMBER.]

The opinion of the Secretary of the Treasury that the banks, and not the Government, had been the cause of raising prices, so far as they had been affected by increasing the quantity of paper money, was shared by many intelligent and unprejudiced persons. No one, however, could reasonably doubt that the advance in prices the next year (1863) was caused chiefly by the enormous demand of the Government for many things, and by deluging the land with paper money. The unsettling of prices is always attended with loss and suffering. Their stability is one of the conditions of a true and lasting prosperity; rapid changes mean great gains and losses, and do not often occur in a healthy commercial society. In earlier times prices were not infrequently changed by debasing the coinage. The Kings of France from the time of Louis VI., asserted the right to change the rating of the coins whenever they pleased. Philip le Bel was so notorious for doing this that Dante was justified in singing of

\* \* the woe that he shall pour  
Along the Seine, by uttering coin debased.

During the disastrous reign of John, the rating of the livre or pound was altered seventy-one times in nine years between 1351 and 1360. The evils brought to the French people by these alterations in their money standard were terrible; yet our paper money standard changed far more than seventy-one times during the four years of war, and



frequently afterward until specie payments were resumed. When the metallic standard was replaced by the paper one evils immediately followed the event, and they increased in number and severity with every additional issue of paper money. Throughout the war the evils of an excessive paper money were constantly set before the people. One of the first to set forth these and also to forget them, was Mr. Chase. Of the banks, some of them were opposed to Government inflation, because they feared an increase of prices and other evils; others were opposed because they wished to issue all the paper circulation themselves.

The question has been often asked whether the bank notes which were issued after the suspension of specie payments in place of gold withdrawn from circulation, had any effect on prices; in other words, were an addition to the circulating medium. In Philadelphia, during the first part of the year 1862, the amount of circulation was greatly reduced in consequence of the suspension of specie payments, but afterward the banks issued a considerable quantity of one, two, and three-dollar notes, to supply the place formerly filled with specie. In other cities a large addition was made to the small-note circulation for the same reason. One bank officer maintained that the issue of these notes had no effect on prices, because they took the place of the specie which had disappeared. He further maintained that the circulation of his bank would have been much larger if it had not been checked at times by using United States demand notes. It will not be disputed that the substitution of bank notes for gold and silver which had formerly circulated did not affect prices, but the entire amount of gold held by the banks at the time they suspended specie payments was not in active circulation. The greater portion was kept as a reserve, and exercised no immediate influence on prices. After the suspension of specie payments the amount of bank notes was not reduced much in any State in consequence of that event. The subsequent issues by the banks, therefore, so far as they exceeded the amount of gold formerly in circulation, were a real addition to the currency, whatever may have been their effect on prices. If specie payments had not been suspended, what would have been the effect of these additions? To some extent, probably, prices would have risen. Did that event change the effect of these notes when issued? We think not.

When specie payments were suspended, gold and silver ceased to circulate as money; the former metal became an important article of merchandise, and the transactions in it were of the most serious nature. Prices were quoted by the paper standard. Measured by this the price of gold fluctuated greatly at different times, but the prices of other things did not fluctuate in a corresponding ratio. This fact can be easily tested by comparing the rise and fall in

the prices of things, including that of gold, with the existing or paper standard. The extent of these fluctuations depended on many things. The goods purchased abroad for specie conformed more nearly in their fluctuations with those of gold than the commodities produced in this country. Too much space would be required to trace these fluctuations here; besides, the inquiry immediately before us is, how far did the action of the Government, or that of the banks, affect the price of gold? Some persons maintained that the banks did more than the Government to cause the advance. An intelligent Boston merchant, in the middle of November, wrote, that the Government issues had merely increased the circulating medium to a certain extent, though not supplying the deficiency caused by the loss of gold as currency. But the banks, he further remarked, by increasing their notes and loans, had acted unwisely, because they furnished to speculators the means to purchase gold and to hold it with the expectation of selling at a higher figure. In December, 1862, there were special deposits of \$10,000,000 to secure loans of this kind. During the entire period of the suspension of specie payments, when gold was bought and sold, and especially for a speculative purpose, the banks aided the speculators by lending them money secured by a deposit of the gold itself.\* The banks were severely condemned for thus aiding the gold speculators; but, if specie payments had been maintained, gold could not have been put on the anvil of speculation. The evils resulting therefrom were so great that Congress attempted to prevent speculation in gold and foreign exchange. Contracts were declared unlawful for the purchase of gold coin or bullion which was to be delivered on a subsequent day, or for paying any sums, either fixed or contingent, in default of the delivery of gold coin or bullion; or to make a contract on other terms than the actual delivery of gold coin or bullion, and the payment in full of the agreed price on the day of making the same. The same provision was applied to foreign exchange, "to be delivered at any time beyond ten days" subsequent to the making of the contract therefor. All dealers in gold were prohibited from selling it "at any other place than the ordinary place of business of either the seller or purchaser," and penalties were to be imposed on all who violated the law.

The Secretary of the Treasury strongly favored the measure. The continued advance in the price of gold was attributed by him to two causes—the increase of the notes of local banks, and the efforts of speculators. Not many members of Congress believed that gold speculation could be suppressed by law. That these speculations

\* "It is a well-known fact that soon after the suspension of specie payments it was common for the officers of banks to loan their credit and irredeemable currency upon gold deposited with them as security; and that bank officers of the City of New York themselves became speculators in gold, and also urged the same upon their friends through their banks, because it was a safe and certain speculation."—*The Price of Gold and the Presidency*, p. 5.

were harmful to the National credit was denied by no one. The belief was general that the speculators were a body of men who cared far more for their personal gain than for their country Senator Chandler, of Michigan, did not hesitate to say that "these gold gamblers, as a class," were "disloyal men in sympathy with the South," and this opinion was shared by many others.

Nevertheless, the influence which the gold speculators exerted in the gold market, as well as the local banks, by expanding their issues, was exaggerated. Mr. Chase was faulty in his diagnosis of the cause of the gold speculation. Many causes contributed to heighten the variation. The operations of the Stock Board were only one cause, and not always the most important. One of the Senators, when discussing the gold bill, stated the causes of the fluctuation so well that his words are worth repeating: "It is the immense business that your citizens are now carrying on, domestic as well as foreign; it is the immense issue of railroad bonds and State bonds; it is the immense amount of bonds which your local corporations throughout the whole extent of the United States are issuing for the purpose of accomplishing some particular local or general improvement. The whole, in one sense, is a species of currency, by means of which the business of the country is being conducted."\* A financial publication which looked at the fluctuations from a shorter range, said, "The true cause of such changes lies in the large volume of paper money, in enhanced prices of commodities, in extraordinary importations from abroad, and in the inevitable demand for all the gold we can produce to liquidate such importations." The speculators were, in truth, less powerful in influencing the price of gold than many believed. That class did much, but many were prone to look away from the more potent agencies. They did not wish to believe that paper money was working fearful havoc to the morals of the people and the credit of the nation."†

The law was enacted on the seventeenth of June and lived only fifteen days. Born in great doubt, its life, though extremely short, was long enough to cause no little commotion and harm. While no one was very hopeful of extirpating or even lessening speculation in gold by legal process, except, perhaps, the Secretary of the Treasury and Senator Lane of Kansas, it was not believed that the law could operate injuriously to any person or interest. Yet its operation was disastrous. Within a week after enacting the law, the price

\* *Globe*, April 15, 1864, p. 1,645; B. MAG., Vol. 19, p. 3.

† "The absorption of gold by the public Treasury has aided the object of the speculators. The more thus taken from the market, the less remains for the wants of commerce; and it is a fair conclusion that the premium upon it will be forced up, just to the extent to which speculators can oblige the public to pay for it, through the merchant, who, to supply the public, imports merchandise and pays duties upon it. It makes but little difference to him what is the rate of gold, so long as the public are willing to pay enough in currency to enable him to buy the gold and realize his profit."—*The Price of Gold and the Presidency*.

of gold had risen thirty per cent. Had this been the first attempt to check the evil, Congress might have been pardoned, but that body had sought to arrest the rise in the price of gold by authorizing the use of gold certificates, and afterward by granting authority to the Secretary of the Treasury to sell gold, but neither of these expedients had been successful. Congress might have learned from previous experiments to limit the rates of interest that a commercial law, designed to prohibit what the people are generally determined to do, will not only fail but intensify the existing mischief. No truth is more clearly set forth in the strong pages of Buckle. In the case of the usurer he is unwilling to lend unless compensated for the danger he incurs when violating the law.\* The gold act had the same effect as laws of a similar nature designed to limit the rate of money.

A good financial authority and staunch supporter of the Union remarked five days after the enactment of the law, "It is one of the most extraordinary and visionary acts of legislation ever passed in this or in any other country. So far from aiding the Government in its design to put down speculation among brokers and speculators, it has had, and will continue to have an entirely different effect. The rate in Wall Street immediately advanced to 200, 205, 210, and, in fact, to 225. This gold act is only one more instance of the utter uselessness of the attempt on the part of Congress to interfere with the ordinary business transactions of a commercial city. The cause of the rise in gold does not, did not, arise in Wall Street. The cause was in the unwise issue of several hundred millions of paper currency at Washington, and in the enormous importations following this uncalled for inflation. The Treasury has produced this state of things, not the people." So ineffective was the gold act to secure the objects desired, and so detrimental to the commercial interests of the country, that a special meeting of the Chamber of Commerce of New York was held on the twenty-second of June, and a memorial to Congress was prepared, setting forth the evils of the law and asking for its immediate repeal. Congress had enacted the law with great hesitation, the Senate discussing the subject fully; the repeal-bill was quickly passed by both houses. It was said at the time that no measure of the Government had produced more surprise or more distrust of the administration than the gold act. Emanating from the Treasury, and urged persistently on Congress by the head of that department, the effects of the measure re-acted on the administration with great force.

Not only was gold pitched into the arena of speculation by the suspension of specie payments and the increase of the paper cir-

\* "This compensation can only be made by the borrower who is obliged to pay what is, in reality, a double interest: one, interest for the natural risk on the loan, and another from the extra risk from the law."—Buckle.

ulation, but the exportation of gold was quickened and enlarged by these events. At the time of suspending specie payments the exchanges were running in favor of this country. The rise in the price of gold and foreign exchange was first induced by considerable orders from the Government for foreign war supplies (which could be paid only in gold or foreign bills), and afterward stimulated by the return of large quantities of American stocks belonging to foreign holders who were frightened. These securities were sold at a heavy loss. But gold was sent abroad for other reasons. Enormous sums were exported to pay for foreign goods. This continued throughout the war.

The rise in gold began in April, and reached  $37\frac{3}{4}$  on the fifteenth of October. These high prices were the result partly of speculation, and partly of fear. Many persons who were ignorant of the resources of the country, and who had but little or no faith in its recuperative power, hastily converted their cash and securities into gold, though paying dearly for the exchange. Others, who possessed surplus capital, invested in exchange on England and the Continent at rates previously unknown in Wall Street.

One of the effects of issuing legal-tender notes was the legal discharge of indebtedness without rendering a fair return to the creditor. It has been maintained that this was one of the greatest evils wrought by the act. The paper dollars given in legal discharge of debts were worth much less than the specie dollars which debtors had received. This is unquestionably true, but were not many creditors paid in consequence of enacting the legal-tender law who would not have been, had payment in specie been required? By inflating prices it was easier for debtors to discharge their obligations. If a farmer sold his wheat for \$1.50 per bushel, instead of \$1.00, the price before the war, he would get as much for two hundred bushels now as he did for one-third larger quantity in anti-war days. If the former price was just sufficient to enable him to pay his ordinary expenditures, the advance enabled him to pay his debts. Thousands of debts were discharged which had been running for years, not because debtors were content with their condition, but because they could not improve it. Great injustice was perpetrated in many cases, but in a far greater number creditors were paid who would not have been if prices had not advanced. Governments do not hesitate to pass bankruptcy laws whereby debtors are discharged from their obligations without paying the full amount, and sometimes without paying anything; surely the loss which creditors sustained in consequence of enacting the legal-tender laws was much less proportionally than that of the creditors whose obligations were extinguished by the subsequent National bankrupt law. We think the facts sustain the deduction, that while many creditors suffered from the operation of the legal-tender law, a much larger

number rejoiced in receiving money which had long before been charged to the profit and loss account. •

But if the legal-tender law was advantageous to this class of debtors, it was not to subsequent ones. The Government especially was a heavy loser by the advance in prices. A part of the advance was caused by the enormous demands of the Government. War is an extremely wasteful business, and vast quantities of the commodities usually produced were demanded beside others, more especially arms and other munitions of war. Said a thoughtful writer in 1862, "Before we blame the banks or the Government for all the derangement of the currency, let us ask ourselves whether, if the Government spent every day one and a-quarter millions in gold coin, it would not cause a great inflation in all values." The writer maintained, therefore, that much of our financial derangement was the result of the war, in distributing large sums among us, and not the result of misdoing. If specie payments had been maintained, doubtless a large advance in prices would have occurred, and the public debt would have been correspondingly increased. But prices also rose in consequence of the enormous increase of the paper circulation. Both causes acted immediately and powerfully to enhance prices. Had specie payments been maintained, or had the quantity of the paper circulation been less, the public debt would have not been so large. Suspension and inflation contributed to increase the public burden of indebtedness, the weight of which more than one generation will know and feel. Private debtors, too, suffered in the same manner as the Government. Their borrowed money had less purchasing power than before the inflation of prices. The interest account was heavier, the rate, moreover, was often higher, but when the principal was finally paid, after prices had shrunk back perhaps to the old figures, then the borrower comprehended the true cost of an inflated paper money. At first, it seemed a very cheap way to get more money, to make paper and print certain matters thereon, and when a farmer, for example, borrowed it to pay for his farm, and sold his wheat at \$1.50 per bushel, he verily thought that paper money was a blessing. But when the price of wheat which would not have been so great if the rise had been less, he then learned the cost of taking greenbacks instead of specie when making his loan. Had he borrowed specie, the amount required would have been much smaller, and all prices would have been correspondingly lower, consequently he could have finally discharged his debt with much greater ease. This truth became sadly clear in the light of the thousands of bankruptcies which occurred in the subsequent era of falling prices.

Another effect of inflating the monetary circulation, it has been maintained, was to stimulate subscriptions to the National bonds. Did the issue of Government paper money, however, have such a

magical effect in this regard as so many imagine? Of course, all the notes issued discharged an equivalent amount of public debt. When received by the Government creditors—soldiers, employees, contractors—they were soon exchanged for other things. Many creditors bought Government bonds with them. Suppose the Government, instead of issuing notes to its creditors, had issued bonds to them in discharge of their indebtedness, would the notes have been necessary in that event in order to stimulate subscriptions; surely not. But the Government simply issued promises to pay to all creditors, and afterward exchanged one kind of promises for another. In truth, creditors took various kinds of Government obligations for their claims, demand Treasury notes that were not legal tender, legal-tender notes, notes running from a few weeks to three years, bonds, certificates of indebtedness, in short, whatever the Government gave. Those bearing no interest were often converted into bonds, because these were considered the most desirable investment of the time. What stimulated the purchase of bonds was not the issue of more paper money, but the employment of more men at higher wages, the purchase of enormous quantities of goods by the Government at exceedingly profitable prices to the sellers, whereby they suddenly became the possessors of large means to invest in new ways.

One of the principles which regulate the quantity of money needed by a country is the rapidity of its circulation, and a far more important one in our time is, how far can checks and bills of exchange be used as a substitute. Money is always circulated more slowly by the Government than by individuals, yet it could have obtained all that was needed without diluting it. When profits in business increased, in other words, when the people recovered from the depression which existed at the outbreak of the war, and made money, they had a surplus for fresh investment. But their subsequent large and speedy profits were the consequence mainly of the enormous demands by the Government. During the year 1879 the heavy cloud of depression, which had hung over the country for six years, passed away and the people once more began to add to their wealth. Business everywhere revived, thousands of spindles, long silent, gave forth a cheery sound, and many a place was re-lighted with furnace-flame. The farmer, too, rejoiced over splendid crops, and a better market. The price of almost everything advanced, the record daily made in account-books was speedily changed, profits were entered instead of losses, and large sums were accumulated. New railroads were planned, and other colossal enterprises were launched in which this newly created wealth was invested. That golden wave of prosperity, which rolled over the country like the outburst of the earth on the return of the sun, cannot be traced to a new monetary supply, for there was none.

The people had money to invest because they were making money. The money loaned to the Government during the first year of the war was not drawn from immediate profits; much of it was idle capital, like that in the banks at the present time. But the amount was not very great. After a short period every man was busily and profitably engaged. Fortunes increased rapidly, and from these sources the Treasury was replenished.

The existence of so much paper money, or the fear of its depreciation, stimulated its circulation. Every addition to the quantity increased the use of it, and thereby aggravated the evil of its presence. In April, 1864, a Republican member of the Committee of Ways and Means touched on this subject in a speech in the House, in which he said: "The common impulse has been to get rid of the currency of the country. Thus, every man and woman in the nation seeks to own something that cannot perish. The manufacturer buys and fills his factory with the raw material, the merchant his warehouses with the merchandise with which he is familiar, the capitalist his trunk with bonds, mortgages, and stocks; while the speculator, watching the advancing tendency of all kinds of securities, uses his credit to its utmost tension, trades to the extent of millions in local stocks, securities and commodities of the country."

The last effect of inflating the circulation to be noticed here, was to stimulate speculation. Of course this was due, in part, to the sudden increase of wealth, and especially to the sudden creation of a rich class of men, Government contractors, and the like. But speculation on a stupendous and hitherto unknown scale broke out in gold, and spread like a prairie fire to stocks and other things. The rapid fortunes that were made by the bold pioneers in speculation "stimulated the cupidity of the whole community." Said Mr. Stebbins, of New York, in the lower house of Congress, in the spring of 1864: "But few men are to-day disinterested spectators of this wonderful mania. Prices have steadily and rapidly advanced for more than two and a-half years. It is impossible for this state of things to continue without ruin to the people and destruction to the Government. This fact is so transparent that it needs no argument to prove it." Prices afterward passed through a long period of depression and then recovered, and are falling for a second time; but the fever of speculation, first thoroughly kindled by the suspension of specie payments, which prepared the way for the manipulation of gold by speculators, and soon intensified by the unsettling of prices through the introduction and common use of a distrusted monetary instrument, has been raging with increasing fury, and is by far the worst foe with which honest legitimate business has to contend. Of the evil legacies left by the war this is one of the worst, and shows no signs of permanent exhaustion. There have been short lulls, occasioned usually by lack



of means, but the desire to accumulate a fortune in a day, greatly quickened if not originating in the early war speculations just mentioned, has not yet been satisfied. On the other hand, that desire, so destructive to morality, to good government, to social order, to the ordinary and rightful methods of business, is burning more fiercely than ever. Enthralled like the legally defined gambler, every loss sustained by the speculator, instead of producing a sobering effect, excites him to try again in order to retrieve himself, and thus the game is continued with increasing desperation, and with losing hope of ever stopping until overtaken by bankruptcy or the grave.

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## STOCK CLEARING.

[CONTINUED FROM THE JANUARY NUMBER.]

### THE BANKERS AND BROKERS' ASSOCIATION.

Allusion was made on page 432 to an experiment made in clearing by the New York Stock Exchange in the year 1868. At that time the gold clearing had been in successful operation for about two years, and the increased facilities acquired by the gold brokers through its instrumentality acted as a strong incentive upon both the other exchanges to endeavor to secure similar advantages for the stock business. (The open board of brokers was at that time a powerful rival of the "regular" exchange.)

A company was organized under charter of the State Legislature in the name given above with the principal object of conducting the business of clearing stocks. The authorized capital was \$1,000,000, of which \$500,000 was paid in. The stockholders were almost entirely members of the two exchanges. Any other member of the exchanges, however, though not a stockholder, was entitled to the benefits of clearing upon payment of the regular rates—twenty cents per hundred shares—no discrimination being exercised in that respect.

During the month of May both exchanges adopted resolutions which officially recognized the Clearing-house as their agent for the settlement of the transactions of their members. Rooms were fitted up for the purpose in the building in New Street, between Wall and Exchange Place, which occupied the site upon which the new part of the Stock Exchange building now stands.

The method employed was adapted from that just described, the only modification being in the form of the balance books or clearing sheets which was made to conform to the increased number of securities to be cleared. The comparison tickets and statements were the same, but the balance books had, in addition to the columns for currency, two columns for each different stock, one for

the entry of balances of shares due to the dealer, and the other for those due from the dealer to the Clearing-house.

The Clearing Department of the Association was announced to open for business on Monday the 8th of June, 1868, but no clearing was made until Thursday, the 11th. The first clearings were made in only three stocks—Erie, New York Central and Michigan Southern. The first day's business was 4,400 shares. The work was performed very slowly owing to the want of familiarity of the clerks, both within the Clearing-house and without, with the details of the work. On Friday, the 12th, 5,000 shares were cleared; on Saturday, the 13th, 16,500 shares. On Monday, the 15th, eight more stocks were added to the list: Northwest common, Northwest preferred, Chicago and Rock Island, Pittsburgh and Fort Wayne, Pacific Mail, Ohio and Mississippi, Reading and Cleveland, and Pittsburgh. It was evident from the very beginning that there was a strong opposition in both boards to the new system. This developed such strength that on Tuesday, the 16th, a resolution was carried in the Open Board rescinding the resolution of May and restoring to members the liberty to make their settlements as they chose. This was so generally availed of that a few days later the Stock Exchange followed with similar action. By the 19th, though the Clearing-house still remained open, little or no business was done through it, nor thereafter.

The causes of the failure of this institution seemed to lie entirely in the method employed. One of the rules required deliveries of certificates and payments by certified checks to be made before twelve o'clock. The creditors in turn did not receive their property and money for several hours afterward, and many dealers found it difficult to obtain the necessary credits to furnish certified checks, with their collateral security locked up in the Clearing-house. It was claimed that this inconvenience was not sufficiently compensated for by the advantages gained in other respects. But the principal objection made was, that the statements required by the Clearing-house exposed to the employees the details of every man's business, a circumstance which gave to any one of them disposed to use it, an advantage in the stock market which the large operators feared.

The bank was thus obliged to abandon that department of its business, but it continued to perform a kind of clearing, such as was then and is now done to some extent by private banking and stockbrokerage firms.

These firms require the dealer desiring to have his stocks "cleared" to keep a current account with the house clearing. He reports to the house, say Smith, Jones & Co., his purchases, and on his comparison ticket or tag, which he leaves at the office of the seller, writes "deliver to Smith, Jones & Co." S. J. & Co. re-

ceive the stock when delivered, give their check for it, and charge the amount of the check so paid to the account of the dealer. It is then delivered by S., J. & Co. to the party to whom it was sold, and the amount of the check received is placed to the credit of the dealer's account. If there are no other transactions made on the account, the balance shown at the close of the day will be as much more or less as the profit or loss made by the dealer on his transaction. For this service the banking houses charge fifty cents per hundred shares each way; that is, a hundred shares bought and sold pays one dollar for clearing.

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"THE SETTLEMENT."

This is the method previously referred to as having been introduced to the New York Stock Exchange by Mr. Osterberg. It has been called a clearing but is only partly such. It is a slightly modified form of the method in use in London and several continental cities, where it is called by the name given above. Though it has not proven satisfactory to the New York Exchange, it has been in use for some years by the Philadelphia Stock Exchange, where it seems to perform the work satisfactorily to the members. The number of the latter is comparatively small, however, averaging about fifty daily, and their transactions are in proportion. Though the method effects only a partial clearing, it has the merit of making settlements in more than one, or a considerable number, of different securities. It is a shorter and more economical method than the old one, of making separate delivery of each lot of stock sold between the original seller and purchaser. In this method no certificates of stock or money are received or delivered by the "Clearing-house." That office simply ascertains from "statements" furnished it by the dealers the final differences in *stocks only*; the differences in cash are settled outside, between the parties direct.

All transactions to be cleared are, after comparison either orally or by exchange of tickets, entered upon a "statement" of the following form on page 589.

(The spaces are larger than here shown, the sheet being about twenty-four inches wide and eighteen inches long, from top to bottom.) In the space headed "Name," the names of the parties with whom the transactions were made are entered. The number of shares purchased are entered opposite the names of brokers in the series of columns under the heading "To Receive," each under its proper heading, and the number of shares sold in their proper columns under the heading "To Deliver." The difference between the totals of the two sides of each similarly-headed column will show the net number of shares of that particular stock which are to be received or delivered, as the case may be. The statement

STATEMENT OF *Franklin & Fox,* TO THE STOCK CLEARING-HOUSE.*June 5, 1885.*

To Receive												To Deliver.											
Can.	C. P.	D. L. W.	L. Sh.	N. W.	N. Y. C.	Om.	O. T.	P. M.	St. P.	U. P.	W. U.	Name of Dealer.	W. U.	U. P.	St. P.	P. M.	O. T.	Om.	N. Y. C.	N. W.	L. Sh.	D. L. W.	C. P.
												<i>Adams &amp; Arnold.....</i>	500										Can.
												<i>B. Blackwell.....</i>		100									C. P.
												<i>Caldwell &amp; Co.....</i>				200							D. L. W.
												<i>Demarest &amp; D.....</i>				200							L. Sh.
												<i>E. Ernest.....</i>											N. W.
			500									<i>etc.</i>									100		N. Y. C.
					100							<i>etc.</i>											Om.
																							O. T.
																							P. M.
																							St. P.
																							U. P.
																							W. U.

is then folded into the size of an ordinary bond. On the outer fold of this (on the back of the statement) the following form is printed:

<u>BALANCES.</u>	
To Receive.	To Deliver.
..... West. Union.....	
..... Union Pacific. ....	
..... St. Paul.....	
..... Pacific Mail. ....	
etc.	

To this form the difference or balances shown at the foot of the columns on the inside of the statement are carried.

The statements must be sent in to the Clearing-house before a given hour—about one o'clock. The clerks then make a transcript of the figures appearing on the indorsements to the balance book, which is of the following form:

"ADJUSTMENT OF BALANCES."

June 5, 1883.

(or "Clearing Sheet.")

<i>Western Union.</i>			
To Receive from	Number of Shares.	To Deliver to	Number of Shares.
<i>Adams &amp; Arnold.....</i>	500	<i>Franklin &amp; Fox.....</i>	2000
<i>B. Blackwell.....</i>	1000	<i>G. Gardner.....</i>	200
<i>Caldwell &amp; Co.....</i>	100	<i>Hamilton Sons.....</i>	200
<i>Demarest &amp; Dean.....</i>	200		
<i>E. Ernest.....</i>	600		
	2400		2400

If no error has been made, the total number of shares of each stock on the side "To Receive," will be equal to the total on the other "To Deliver." After all the accounts have been thus balanced, tickets of the following form are made out and signed by the manager:

No. 422.

NEW YORK, *June 5, 1884.*

\* The holder of this ticket is entitled to deliver to

*G. Gardner*.....*Two hundred (200)*.....Shares.*Western Union*.....Stock.

at \$65.....per Share.

THE STOCK CLEARING-HOUSE.

*Jno. Smith, Manager.*

These are delivered to the sellers upon application at the Clearing-house, and are to be called for by them before two o'clock. In the example of a balance-book account, given on page 590, the above ticket would be delivered to Demarest & Dean. Caldwell & Co. would receive one on Hamilton & Sons for 100 shares. E. Ernest one on the same party for 100 shares, and one on Franklin & Fox for 500 shares; Adams & Arnold one on Franklin & Fox for 500 shares, and B. Blackwell one on the same party for 1,000 shares. The sellers receiving these tickets attach them to the certificates of stock they have sold and send them to the parties named in the ticket as the purchasers, and receive the purchasers' checks for them.

In the majority of cases the seller does not deliver his stock to the party to whom he sold it, and the purchaser does not receive his from the party from whom he bought it. In ninety-nine cases out of a hundred, the *price* at which the seller who holds this ticket sold his lot, is also different from that at which the purchaser, whose name appears on the face of the ticket, purchased his lot. For instance, Demarest & Dean sold their 200 Western Union @ 64½, \$12,900, but G. Gardner, to whom they must deliver, bought his 200 shares from another party @ 63½, \$12,700. Clearly the sellers D. & D. are entitled to receive \$12,900 for their lot, and it is equally clear that the purchaser G. G. cannot be obliged to pay that sum for it, because he contracted to purchase it for \$12,700 only. How is this difficulty in making a settlement to be overcome?

It is done in this way. An arbitrary price is fixed for each stock at the close of the day previous to the "settlement," and all dealers notified by posting a notice on a bulletin board of the exchange, and by telegraph to all offices having the instrument called "tickers." At this price all deliveries must be made. It is called the "set-

tlings price." All the transactions of the dealers must be reduced to it by the payment of differences between each two parties to each transaction. This is done directly between the brokers' offices without any intermediation of the Clearing-house. If the settling price is higher than the actual price at which the sale was made, the seller must give his check to the purchaser for the difference; if lower, the purchaser must give his check to the seller for the difference.

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#### THE PHILADELPHIA METHOD

differs from the one just described in a few minor details only. One is the form of statement, and another the manner of settling the cash differences.

In this method the "comparison" and the "statement" are consolidated in one form as on page 593.

The purchases and sales are entered upon this form, and the form sent around to the various parties with whom the transactions were made. These parties sign their names or initials in the column headed "Certification," opposite the entry of the transaction to which each one is a party.

This is the "Comparison." It is also the "Statement," but of one stock only. Every stock dealt in must have a similar statement. To guard against getting entries on the wrong statement, the form for each stock is printed on paper of a different color.

Until recently this exchange made clearances in only seven stocks. During the past year it has added five more to the list, making twelve now. A single firm doing a general business will, therefore, sometimes have twelve statements to furnish the "Clearing-house" at each clearing.

These statements are footed and the difference between the total number of shares purchased and the total number of shares sold is ascertained and brought down. In the cash column the actual prices at which the transactions were made are entered, the columns footed and the difference ascertained and brought down in like manner. The value of the shares is then calculated at the "settling price," and the difference between this amount and the amount shown by the statement is the amount to be paid or received by the broker. For instance, A has sold to various parties ten one-hundred-share lots of Pennsylvania R. R. stock at different prices from \$52¼ to \$53½, and he has bought nine lots of one hundred shares each from various other parties at \$51¼ to 52¾. The settling price for the day is, say \$52. Now the sales side of A's statement will foot up 1,000 shares, amount \$52,787.50; and the purchase side 900 shares, \$47,025. The difference is, 100 shares to be delivered by A; \$5,762.50 to be received by A. But when A delivers the 100 shares, on the ticket he received from

PENNSYLVANIA R. R.

Statements must be certified and presented before 12 o'clock.  
Differences must accompany sheet.  
Differences exceeding \$500 shall be paid in money or in bank due bills.

*John Brown,*

Account with the Clearing-house, Philadelphia Stock Exchange.

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PHILADELPHIA, *June 5, 1881.*

No. of Shares.	From whom.	Amount.	Certification.	No. of Shares.	To whom.	Amount.	Certification.
100	Carter & Son.....	5,250	C. & S. by Jno. B...	500	Frank Fowler.....	26,500	F. Fowler.
100	Dodge & Smith....	5,225	Dodge & Smith.....				
		10,475					
	Bal. 300 Sh. @ 52...	15,600					
	Diff. due broker....	425					
		26,500				26,500	

Actual size, 14 inches wide, 6 inches long (up and down).



the Clearing-house, he receives only the settling price, \$5,200. The difference, \$562.50, he receives, in this method, from the Clearing-house, which lumps all differences, and pays and receives them itself. This seems to be an improvement upon the other method of settling the difference in each transaction separately between the original parties.

This explains the meaning of the second line on the upper right hand corner of the statement, "Differences must accompany sheets." In the third line the words "Bank due bills" may not be generally understood. In Philadelphia the banks do not certify customers' checks. Instead of doing so the teller receives and cancels the customer's check and issues in lieu of it a "due bill" in the name of the bank, or a cashier's check. It is, however, practically the same thing as certifying.

The Clearing-house ticket is of the following simple form :

PENNSYLVANIA R. R.		
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> CLEARING-HOUSE,  June 5, 1883.  PHILAD'A  Stock Exchange. </div>	(stamp).	<i>Brooks Bros.</i>
<b>PAY</b>	Shares	Price.
<i>Carroll Smith</i> .....	500	52

PENNSYLVANIA R. R.		
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> CLEARING-HOUSE,  June 5, 1883.  PHILAD'A  Stock Exchange. </div>	(stamp).	<i>Carroll Smith.</i>
<b>DELIVER</b>	Shares	Price
<i>Brooks Bros.</i> .....	500	52

## CONDITION OF BRITISH LABOR.

The American Consul at Bradford (Eng.) has recently published a letter, written at his suggestion by Henry Mitchell, of that city, who was connected with its worsted industry as long ago as 1836, and has been familiar with it since. His statements as to the present condition of the laborers in that and other Bradford industries may be a little too favorable, but they are interesting and worth reading. There can be no question that wages in Bradford and elsewhere in Great Britain have materially improved within the past forty years, thus demonstrating that there is no necessary tendency in increasing density of population to make the condition of laborers worse.

Mr. Mitchell says: •

Since that time [1836-7-8-9] the wages of spinners have increased nearly forty per cent., and of weavers at least twenty-five per cent. At the present time the earnings of our operatives are about ten per cent. less than at the highest point, which was probably reached in 1871 or '72.

All orthodox Englishmen believe that the advance of their commerce and manufactures, which commenced about 1850, is explained by the free-trade measures, of which the repeal of the corn laws was the most conspicuous. They refuse to see that the advance during the same time was equally great in France and other countries which adhered to the protective system, and that the real cause was the stimulus given to trade and industry by the great gold discoveries in California and Australia.

Mr. Mitchell claims that, during the past two or three years, more advance has been made in Bradford than ever before in improving and diversifying its products, which he explains as follows:

This improvement may be attributed to the rapid progress of education, and to the fact that operatives are both intelligent, sober and industrious. We have excellent elementary schools all over the borough, and have recently established a Technical College, in which our overlookers and managers are receiving a first-rate education in all those branches of art and science which have a direct bearing upon our industries.

British workmen, skilled and unskilled, have great merits, but, as a general fact, sobriety is not one of them. The cases like this one of the Bradford workmen, if it is correctly described, are exceptional. There can be no doubt, however, that the manufacturing skill and power of Great Britain are not in a state of decadence, but are wonderfully active and progressive, and that their competition in the markets of the world is something which we shall not find it easy to overcome. The English have trained skill, perfect

machinery, enormous wealth, an established system of commercial agencies, and labor now a good deal cheaper than it is in the United States, and which can be still further cheapened before the starvation point is reached. There is nothing attractive in a struggle in the world's markets with the competing manufactures of Great Britain, Belgium, Germany and France. The best field for a long future is the home market, which is not yet fully supplied, as it ought to be, by our own domestic manufactures.

Upon the effect of the British legislation, enforcing a shortening of the hours of factory labor, which was carried in spite of the opposition of John Bright and of the great body of free-trade *doctrinaires*, Mr. Mitchell says:

Forty years ago the hours of labor in our factories were seventy-two per week, and a very small number of our operatives received any education, except those working half time; now the hours are reduced to fifty-six and a-half per week, and all are compelled to go to school until thirteen or fourteen years of age. Although the hours of labor have been so much reduced there has been no perceptible falling off in the production of goods, as the speed of machinery has been increased and the hands are able to give more attention to their work and to turn out as much as at any former period. There has also been a very marked decrease in the mortality of both children and adults, and Bradford is now considered one of the healthiest manufacturing towns in the kingdom.

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NEGOTIABLE INSTRUMENT—CHECK—PRESENTATION FOR PAYMENT—FAILURE OF BANK.—The presentation of a check to the bank on which it is drawn must be made within a reasonable time, taking all the circumstances into consideration; but where the check is given in a rural district, twenty miles distant from the place of payment, and not in time to reach the bank before it closed that day, and pressing business prevents the holder from presenting it the following day, and, the next day being Sunday, on Monday morning it is placed in the local bank for collection, the delay is not unreasonable, and if the bank, has failed the holder may recover the amount of the check from the drawer. *Phoenix Ins. Co. v. Allen*, 11 Mich. 501; *Nutting v. Burked*, 48 id. 241. [*Frieberg v. Cody*, Mich. Sup. Ct.]

CONTRACT—GUARANTY—CONSIDERATION—STATUTE OF FRAUDS—COLLATERAL.—Defendants guaranteed, in writing, the return in six months of certain bonds loaned by plaintiffs to the R. I. M. Co. The bonds not having been returned, and defendants having been informed that plaintiffs intended to sell them upon the guaranty, verbally agreed that if plaintiffs would recover a judgment against the company, they would take an assignment thereof, return to them the bonds and pay the costs. Plaintiffs, in pursuance of the agreement, immediately brought suit against the company, recovered and perfected judgment, and tendered a written assignment thereof to plaintiffs, and demanded a performance of the agreement, which was refused. In an action upon the agreement, *held*, that it was supported by a sufficient consideration; that the performance by plaintiffs of the acts upon which defendant's promise was conditioned supplied the place of a previous promise to perform. The contract was not within the statute of frauds, and was valid and binding. The agreement was not collateral to any obligation of the company, but was an original undertaking entered into by the defendants for their own benefit, and for the purpose of settling the claim the plaintiffs had against them on their original guaranty, and obtaining such indemnity as they could by a judgment against the company. [*Beckwith v. Brackett*, N. Y. Ct. of Appeals.]

## HOUSE DEBATE ON THE MCPHERSON BILL.

We have space for only a few of the more weighty ideas that were expressed during the debate on the bank bill. Mr. Hewitt, of New York, made a very brief speech, which we are sure will interest our readers; so, too, will the letter of ex-Comptroller Knox, addressed to Mr. Wilkins, of the Committee on Banking and Currency, in response to one asking for his views on the subject.

Mr. Hewitt said that he was opposed to this measure, not because he was either the friend or the enemy of the banks or the banking system. He looked upon banks as a part of the machinery with which the business of the country is carried on. They would not exist if they were not useful; and his only concern in regard to the banks is that the machinery shall be kept in good order so that it will run. But this bill would not, in his judgment, contribute to the public welfare, although it might add to the profits of the banks, in regard to which we had no other concern than not to deprive them of the opportunity of making enough profit to induce them to serve the public, so long as the public should require their services.

I have, he continued, no concern in these profits. This house has no concern in these profits. The only question is whether the operations of commerce will be promoted or damaged by the passage of this bill. I think they will be damaged. Therefore, I am against the bill. It proceeds upon a false assumption, which has been repeated many times in the course of this debate. It proceeds upon the idea that there has been during the last year a contraction of the currency. There has been no such contraction. I hold in my hand the report of the Comptroller of the Currency. On page fourteen he estimates that the net decrease of bank circulation has been \$24,170,676. But it is a remarkable fact that the increase in the coinage of silver represented by silver certificates (which are currency) during the same period was exactly \$24,000,000. The bank currency, therefore, that has been retired was driven out of circulation by a currency of superior circulating power, and it lost its place in the circulation of the country, because there was no use for it. We want circulation when we have an active business. The circulation of this country prior to the past fiscal year, was adjusted to a very large volume of business.

Naturally, in time of depression, when prices are low, the amount of money required to make the exchanges is reduced. And not only were the twenty-four millions driven out by another currency which took its place, but by the last bank statement in the city of New York it appears there were \$47,000,000 over and above the legal reserve required for the security of the bill-holders of this country; \$47,000,000 lying idle because the productive power of the country has been paralyzed and is standing still.

This bill, if you pass it, will authorize the issue of \$32,000,000 of additional currency to be added to the \$47,000,000 for which to-day there is no profitable use. You will say it will not be issued if

there is no use for it. But that is a mistake. It does not cost the banks, who have got the bonds lodged in the Treasury as security, one dollar to take this \$30,000,000 into their possession; and it is more than you can ask of human nature to resist the temptation to take possession of \$30,000,000, which, if it cannot be loaned at six per cent., can be loaned at five per cent., or at three per cent., or at two, or even one per cent., as it is to-day being loaned at call in the city of New York.

This bill then gives us expansion when we need contraction. Will it give us expansion when we need expansion? The test of the merit of this bill is then to be applied. When shall we need this expansion? When business revives? Heaven knows when that will be: certainly not until many obstructions created by the existing tariff laws to the free course of trade shall be removed. But when this revival comes, whether it be in two years or in three years hence, will the passage of this bill have prevented the payment and retirement of the bonds upon which the bank circulation is based? No, sir; the surplus in the Treasury under the McPherson bill must be invested, day by day and month by month, in retiring the principal of these bonds. And hence, when the time comes that we shall need bonds to get new issues of money, the bonds will have been paid off and canceled, and the injury we have been seeking to avoid will have been accomplished beyond redemption. It is for that reason that I oppose this bill.

I confess that I advocate the substitute offered by my colleague from New York [Mr. Potter], not because I think either of the bills is of such immediate or transcendent consequence as the banks contend, and as the advocates of these measures in this House would try to have us believe. But what the Potter bill accomplishes is this: It takes the surplus money in the Treasury and uses it for reducing the rate of interest. In other words it anticipates a portion of the interest for which it gets full compensation in the reduced interest on the debt, instead of using it for paying off the principal of the bonds. The mathematical calculation shows that the Government will be the gainer by this process. But the great advantage which this plan offers to the mercantile community is that the principal of the bonds will still remain as the basis for circulation when needed. The debt consists of the principal and the interest. We shall have discharged the interest, and the principal will remain as the basis for banking.

My colleague [Mr. Cox] asks me to explain a little more fully—I certainly had not intended to explain it at all—the process by which the United States, in anticipating the interest on the bonds, that is, the reduction from four and a-half per cent. and four per cent. to two and a-half per cent. by the Potter bill, would make a profit. The reason is this: When you pay a debt before it is due, and the interest is a debt which the Potter bill proposes to pay before it is due, to the extent of two per cent., we get a discount. That discount is realized by the Government in the shape of a reduced rate of interest, thereafter payable on bonds. The saving in interest thus made leaves in the Treasury a sum in cash which otherwise would have been paid out for interest. The sum thus saved, if invested quarterly at the rate of three per cent. per annum, will produce an amount equal to the compensation paid to the holders of the bonds for reducing the rate of interest to two and a-half per cent. Practically the Government gets three per cent. upon its advances, and pays two and a-half per cent. on its debts, and thus makes a profit.

Now, when my time expired I was about to call the attention of the House to the contingency when contraction, severe and gripping, will come upon this country. That day I cannot predict, but within one year, within two years, within three years, at latest, it will come without notice like a thief in the night. That day will be when, by the steady coinage of silver and the issue of silver certificates, this country shall pass from a gold basis to a silver basis in the commercial transactions of its citizens. That day is as inevitable as the day of judgment, and when it comes, then every dollar of gold in the Treasury and in the banks, and in the possession of private individuals, will be hoarded. It is estimated that the gold of the country amounts to \$610,000,000. In one day that six hundred and ten millions of gold will disappear from the circulating medium of this country. It will not be lost; it will not be stolen. It will cease to be money.

Mr. Warner, of Ohio—Where will prices go then? Will not prices shrink?

Mr. Hewitt, of New York—Prices will shrink, fortunes will shrink, a financial earthquake will open gaps greater than those that Spain has just seen, and we shall be plunged, rich and poor alike, into a common ruin.

Mr. Warner, of Ohio—Will not gold come in then? If prices fall to the degree which the gentleman predicts, will not gold come in from other countries as fast as ships can bring it?

Mr. Hewitt, of New York—The difference between the commercial value of gold and silver will make silver the standard of value, and the ships of which the gentleman from Ohio speaks will come back loaded with the silver of all the world to be tumbled into our reservoir, in exchange for the gold thus driven from circulation. Our greenbacks will then be redeemable in silver, the interest on our debt be payable in silver, and all private obligations not by contract expressly made solvable in gold will be discharged in silver.

The losses will be terrific, and business will for a time come to a standstill. Then will come from every quarter of the land a wail of distress and a demand for more money. Congress will respond to the public demand, and, exercising its new-found power of issuing legal-tender notes in times of peace, will supply circulation equal to the wants of trade. No deliberate body can convert itself into a bank of issue without bringing on a suspension of specie payments. It was so during the Revolution. It was so during the war of the rebellion. It was so in France, in Germany, Austria, Italy, wherever the issue of paper money has depended upon the will of the legislature responsive to the clamor and the sufferings of the people.

Mr. Knox's letter read as follows:

"This bill passed the Senate during last session by nearly an unanimous vote, many Senators who had previously opposed similar measures voting in favor of this. Other bills providing for the funding of the four and four-and-a-half-per-cent. bonds into two and a-half or three per cents. have been under discussion in the Finance Committee of the Senate for more than two years, and have failed to obtain a favorable report. One other measure providing for a greater rate of issue than par upon bonds deposited was debated in the Senate and defeated, the McPherson bill afterward passing the Senate by a non-partisan vote. This bill authorizes either an increase of circulation upon United States bonds, de-

posited with the Treasurer, of ten per cent., or authorizes the withdrawal of ten per cent. of the bonds at the option of the banks. Thus a bank having \$100,000 of United States bonds on deposit with the Treasurer may increase its circulation from \$90,000 to \$100,000, or it may withdraw \$10,000 of its bonds and dispose of them, still retaining the same amount of circulation as at present.

"The whole amount of three per cents. outstanding on the first of January, 1885, was one hundred and ninety-six millions, of which the banks hold one hundred and forty-seven millions as security for circulation. As these bonds are called, fours or four and a-halves must be substituted or the circulation reduced. The banks hesitate to buy other bonds at the present high rates, and are therefore rapidly reducing their circulation to the minimum point; that is, to an amount equal to one-fourth of their capital or less, as provided by law; but if the McPherson Bill shall pass, increasing the amount of circulation from ninety to 100 cents on the dollar, the banks will generally substitute other bonds for those which are called. It is not probable that the circulation will be largely increased, but the passage of the bill will have the effect to prevent any rapid reduction in National bank circulation. Some of the banks will dispose of ten per cent. of their bonds which are released by the operation of the bill, while others will increase their circulation. The price of the bonds in the market will not, therefore, be materially changed nor the aggregate bank circulation be largely increased at present. The bill will, however, do much good in the future, for as the time for payment of the fours and four and a-halves diminishes the value of the bonds will also diminish, and they will be purchased by new banks as well as by those already organized, for the reason that the premium will not be large and that circulation can be obtained upon them for the par value thereof. The banks will thus probably come into possession of a sufficient amount of the fours to maintain their circulation for the next twenty years, thus perpetuating the National banking system with a slightly increased circulation and without much inconvenience to the banks.

"The prompt passage of the bill will have a good effect upon the business of the country. Many of the banks have suffered losses during the present financial crisis, and such institutions will appreciate the relief afforded by the provision of the bill adding ten per cent. of the amount of bonds held by them to their available funds. The passage of the bill by the House by a non-partisan majority like that which it received in the Senate will reassure the country that the policy of the new administration toward the banks is not to undergo any sudden change. During the present depression such an assurance is needed, and cannot fail to have a beneficial effect upon every business interest. The pending measure, which is simple in its provisions, originated with a leading Senator in the Finance Committee of the Senate, who is an influential member of the party which is to control the incoming administration, and is the only financial measure now before Congress which is likely to pass during the present session, and its passage will be hailed by the business men of the country as one step toward furnishing the relief needed to remove the business depression, and its future effect. will be much greater than is generally supposed.

"The banks in this city hold but a small amount of bonds upon

which circulation is issued, and are not therefore interested directly in the question; but they are the correspondents of all the smaller banks in the country, and it would be an ungrateful act upon their part to oppose a measure now pending in Congress which will afford but moderate relief to their correspondents.

"A similar bill to the refunding measure now pending was recommended by the Comptroller in his report for 1882, and has been fully discussed by the Finance Committee, and I am informed by members of that committee that there is no probability of such a measure, even if it should pass the House, being reported by the committee during the present session. The McPherson bill, on the other hand, has already passed the Senate and been reported upon by the Committee on Banking and Currency. It has been repeatedly recommended by the President, Secretary of the Treasury, and other officers of the Government, and a day has been fixed for its consideration, and it now only requires the vote of the House to insure its enactment.

"The two bills should not be allowed to antagonize. They are not inconsistent with each other. If the Potter bill should be adopted as a substitute for the McPherson bill, the defeat of both measures is certain. Let each bill stand upon its own merits.

"I earnestly hope that the McPherson bill, which is the only measure which has a reasonable chance of becoming law during the year upon which we have just entered, will receive the vote of the House, and that the Potter refunding bill will receive favorable consideration from the next Congress."

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## GOVERNMENT ACCOUNTS AND DEFAULTERS.

The following description of the mode of settling Government accounts and of finding out who are defaulters is taken from the *Chicago Times*:

Until his final accounts are adjusted, a disbursing officer is always indebted to the Government, and yet the statement of his indebtedness to the Government as though it were a default would be misleading. The Secretary of a Territory, who is a disbursing officer, has occasion to pay some of the expenses of the Legislature. He makes a requisition on the treasury for \$1,000. The warrant is issued, and he is charged with that amount in the first Comptroller's office. He pays the money out, and sends his vouchers to the first auditor. The first auditor holds up vouchers amounting to \$100, because he wants more information regarding their lawfulness. The day arrives for enumerating persons indebted to the Government.

The first auditor's books show that this Territorial Secretary owes \$900 to the Government. The first Comptroller's books show that he owes \$1,000. The charge of \$1,000 against him has not reached the registrar yet, so that on his own books the Territorial Secretary owes nothing. According to his own information the first Comptroller would report the officer as owing the Government \$1,000, and yet he probably did not owe a cent, having lawfully expended all the money advanced to him.

The longest, most detailed and most involved accounts are those of the marshals. A marshal turns in vouchers of several thousand



doliars, expended mostly in small sums. The first auditor looks over the bills and doubts the legality or honesty of certain items. He makes up a list of differences, as it is called, showing the items presented by the marshal which the auditor objects to or is in doubt about. This list is sent to the marshal with an invitation to him to explain. It probably took him several weeks and perhaps several months to make up his accounts in the first place. They waited a month, more or less, in the first auditor's office before they were reached. It took the clerks some weeks to get up the list of differences. When the marshal receives the list he has got to get explanations of the items and evidence of the circumstances under which they were incurred from men in all parts of the judicial district. It takes him weeks, possibly months. He sends on his explanations, which are satisfactory to the first auditor on part of the items; as to others he wants more information, and there is more correspondence with the marshal. This takes time. Finally he gets all the information he wants, and makes up his mind what items to allow and what to disallow, and sends the account to the first Comptroller. Here there is an entire new revision of the account. Some items allowed by the auditor are disallowed, and some which he disallowed are allowed. There is more correspondence with the marshal. More explanations are made by him, and more evidence is sent to the first Comptroller. Finally, a conclusion is reached and the account is certified to the registrar, who is the bookkeeper for the nation. Meanwhile, years have been consumed in trying to find out whether the marshal owes the Government or the Government owes the marshal. In a very simple case of a small disbursing officer—a Territorial Secretary—the accounts were not closed till the Secretary had been out of office fourteen months. Ex-Marshal Douglas, of North Carolina, has been out of office nearly four years and his accounts are still not closed. Stillwell H. Russell is in the penitentiary for large embezzlements while he was marshal of a Texas district. His sentence will expire before the Treasury officials find out exactly how much he owes the Government.

How are defaulters ever discovered? may be then asked. By special agents of the Treasury and the secret service; not by the regular auditing officers of the Treasury except in very rare instances. The following extract from Comptroller Lawrence's report for 1881 is of interest in this connection. It shows that the Secretary of the Treasury has never fixed a period of time within which accounts must be settled, and it shows that the corrupt Democratic party did make a report of officers whose accounts had remained unsettled for three years, and that the grand old party of moral ideas, as soon as it got possession of the Government, stopped making these reports: why, Judge Lawrence does not know. He also notices that the law calling for an annual report of defaulters was left out of the Republican revision of the statutes, made chiefly by George S. Boutwell, but he does not pretend that it was ever repealed.

Comptroller Lawrence says: "The first Comptroller is required by section 272 of the Revised Statutes to 'make an annual report to Congress of such officers as shall have failed to make settlement of their accounts for the preceding fiscal year, within the year, or within such further time for settlement as may have been prescribed by the Secretary of the Treasury.' This requirement, is taken from section 13 of the act of March 3, 1817, providing for

the prompt settlement of public accounts. I cannot find that it has ever been complied with, and I presume that the non-compliance has been caused by the impracticable nature of the requirement. No disbursing officer can, within the year, make settlement of his accounts for such fiscal year, and no time for settlement is prescribed by the Secretary of the Treasury. Besides the consideration that a strict compliance with the act of 1817 was impracticable, it was probably thought that the reports made in conformity to section 3 of the act approved March 3, 1809 (2 Stats., 536), contained substantially the information called for by the act of 1817. Said reports showed the accounts which had remained more than three years unsettled. They were discontinued in the year 1860; for what reason I am not advised. The law which required them is not contained in the Revised Statutes.

There are some interesting points about this resolution. Senator Davis of West Virginia, in January, 1876, offered a resolution inviting the Secretary of the Treasury to tell the Senate why the law requiring an annual report of defaulters was not obeyed. It went to the finance committee, and Senator Sherman reported a substitute, calling on the Secretary for a statement of delinquencies from 1830 down to date, and this was adopted. The Secretary sent in his report in June; instead of ordering the interesting record printed, the Senate referred the question of printing it to the committee on printing. Senator Anthony reported adversely, but recommended the printing of an abstract of it, which was available as a campaign document for the approaching Presidential campaign. It stated the receipts and expenditures in different branches of the Government by administrations from 1830 to 1875, and then summed the whole thing up in two periods, one from 1834 to 1861, and the other from 1861 to 1875. With certain fluctuations there was a steady decrease during this entire period in the losses to the Government, the cause presumably being improved methods in the Treasury and greater watchfulness as the result of experience. But, of course, the period of 1834-61 represented almost exclusively Democratic administrations, while the latter period was that of Republican administration. Consequently, though the ratio of losses diminished during the whole forty years, the footings into an earlier Democratic and a latter Republican period showed a very high ratio of loss under Democratic administrations and a very low ratio of losses under Republican administrations. Some idea of the value or worthlessness of these statistics may be formed from the fact that the star-route frauds and Robeson's reckless expenditure of naval funds could not appear in such a tabulation at all.

"There must have been some doubt as to the meaning of section 13 of the act of March 3, 1817 (3 Stats., 366.) At the time of its passage the annual appropriations were made in and for the current *calendar* year, *e. g.*, the 'Act making appropriations for the support of the Government for the year one thousand eight hundred and seventeen' (3 Stats., 352), was passed March 3, 1817. The reports of the Comptroller required by section 13 of the 'Act providing for the prompt settlement of public accounts' (3 Stats., 368) were to be laid 'before Congress annually, during the first week of their session.' From this it is clear that the reports could not have been intended to cover the calendar year in which they were made; and it might be inferred from the terms of section 6 of this act that the reports required were intended to cover accountability accruing in the preceding calendar year, which was not settled dur-

ing the year in which the report was to be made. Section 13 did not limit absolutely the settlement of accounts within each calendar year to which they pertained. The Secretary of the Treasury might extend the time; and if settlements were made within the following year, and before the time of reporting to Congress, such settlements would not have been considered cases of delinquency.

"On the 9th of February, 1876, the Senate, by resolution, called for a special report of all delinquent public officers. This shows that the attention of Congress has been directed to the fact that the Comptroller had ceased to make the annual reports above mentioned."

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### RAILWAY COMMUNICATION IN INDIA.

The Committee appointed by the British Parliament to investigate the state of railway communication and report as to the necessity of increased expenditure on railroads in India has just issued its views on the subject. The following article taken from the *London Times* gives the substance of the report as rendered:

The Committee, in its report, recapitulates the chief recommendations of the Committee of 1878-9, which, in brief, were—first, that loans for the future should be spent upon productive works, and, second, that the loans for such works should usually be raised in India. The Committee of 1878-9, however, made no provision for railway extension; the guarantee system, in fact, was at that time treated as expiring. The proposed policy of the Government of India is to leave to private enterprise those lines which are commercially most attractive, and to construct either directly by the State, or indirectly through the agency of companies, those which are, relatively speaking, unprofitable, but which they consider to be indispensable for protection against famine, or for other urgent purposes. In criticism of that policy the Committee points out that it implies a complete inversion of the regulations hitherto in force, as indeed was stated by the Government of India; for loans would be applied to unproductive works, and the famine grant would in part be used as interest on borrowed capital; and they proceed to sum up the grounds on which the various witnesses have urged the more rapid construction of railways.

These grounds are set forth under thirteen heads. In the first place there is the necessity for increasing the works likely to protect the country against famine, General Strachey and Sir James Caird having given it as their opinion that there is no other means of saving life in time of famine so efficient and economical as railways. Next may be placed the development of the internal trade of India, with the result, among others, of reducing the price of salt and other necessary articles of consumption. Another point on which stress was laid was the rapid development of the export trade in recent years, especially wheat. Of this fact the tables of export show striking proof, the average annual value of the exports having risen from £57,770,000 in the period from 1864 to 1868, to £69,980,000 in that from 1879 to 1883; while in 1883-84 the exports amounted to £88,076,000. In regard to the exportation of wheat in

particular the development of the trade has been even more remarkable, the quantity having risen from an average of 4,544,000 cwt., valued at £1,951,000, in the five years from 1876-77 to 1880-81, to 19,901,000 cwt., valued at £8,870,000, in 1881-82, and to 20,961,000 cwt., valued at £8,880,000, in 1883-84. Again, the improvement which has taken place in the credit of the Government of India in the London money market would enable it now to borrow the requisite capital at a much cheaper rate than was formerly the case, and if guarantees have to be given to companies it is no longer necessary to offer the high rate of five per cent. formerly given.

On the other hand, the Committee deemed it necessary to specify various reasons which seem to point to caution in incurring a great expenditure in the rapid development of railways. Among these, the difficulty of raising money in India was set before the Committee, especially by Mr. Hardie and Mr. Westland, who estimated that not more than a crore of rupees (£1,000,000) each year would be subscribed in India for permanent holding, as an investment in that country, and therefore, since the bulk of the funds for railway investment would have to be found in England, the possible loss by exchange must be accepted as an element of risk either to the Government or the investor. Great objection, in the next place, is felt by some to any measure that shall divert from its primary object any portion of the famine insurance provision. One point on which great stress was laid by the official witnesses was that the proposals for an extension of the railways are contingent upon their involving no new taxation; while, again, the maintenance of the rigid distinction between productive and protective lines was said to hinder the application of borrowed capital to the very lines which are most needed as a protection against famine.

The Committee, having given the most careful consideration to the arguments thus summarized, consider the evidence in favor of a more rapid extension of railway communication to be conclusive. After giving it as their opinion that all the leading trunk lines, with their principal feeders, should be on the broad gauge, the Committee observe:

In considering the means by which a more rapid extension of railway communication may be accomplished, your Committee have given great attention to the merits of State operations as compared with construction and working by the means of companies; and they are of opinion that it is desirable to employ both agencies. State operations are, according to the present practice, limited to the strength of the Public Works Department, the permanent staff of which it is not desirable to increase, for reasons given before the Select Committee of 1878-79, which reasons your Committee fully indorse. On the one hand money can be raised more cheaply by the State, on the other a construction and working by companies does not necessarily involve any increase of the staff of the Public Works Department, and it relieves the Government of India of a somewhat onerous charge; besides which, the emulation between *quasi* private enterprise and Government working tends to promote economical construction and management.

The Committee think that the time may come when new railways will be made in India by unassisted private enterprise, and that this should be kept in view in all contracts made by the State, so that nothing should be done to prejudice a change of system which improved financial results of Indian railways, and greater consequent confidence on the part of the investing public might justify. The

Committee is confirmed in this belief by an examination of the last year's railway accounts, which show clearly that, irrespective of loss by exchange, which is a matter really outside the consideration of loss or profit on any particular line, the return on the whole railway investment of India was 5.68 per cent.

The Committee is of opinion that the Government should retain in their own hands a power of fixing or from time varying the maximum of fares and rates, subject to adequate provisions to secure the interests of investors.

The Committee is of opinion that the technical distinction which has been hitherto made between protective and productive lines cannot be maintained. They recommend, therefore, that railways, needed for protection from famine or for the development of the country, be made as required, whether they be technically considered protective or productive. The Committee does not approve of the entire removal of the existing check upon the construction of unremunerative railways as suggested by the Indian Government. The evidence even of their own witnesses has been against this revolution of policy. The Committee are strongly of opinion that the bulk of the lines made should be self-supporting.

Attention is called in the next paragraph of the report to the mischief occasioned by constant fluctuations of policy in the construction of railways; and in the succeeding one the opinion is expressed that in present prospects there is a very fair ground for expecting that an extension of the railway system on the scale proposed by the Government of India will have most beneficial effects. And the report concludes as follows:

"The Committee considered with great care the evidence placed before them as to the expediency of borrowing in India or England. They are strongly impressed with the reasons which weighed with Committee of 1879, and with the home Government; and they are of opinion that if the capital required could be really obtained from Indian sources the advantages of borrowing there, as compared with borrowing in England, would be very great. The growth, too, of the sterling debt in times of war or famine, and the difficulty of reducing that debt, even in prosperous years, has been clearly demonstrated, both in the evidence of Sir T. Secombe before the Committee in 1879, and in Mr. Waterfield's evidence before the present Committee. Your Committee think also that, for political as well as for financial reasons, it is desirable that loans should, as far as possible, be raised in India, but they do not believe that rupee loans, which are not really absorbed in India, differ materially in their effect upon exchange from sterling loans, as, if held in Europe, the interest upon them will probably be remitted from India, and will come into the exchange market. They would, therefore, recommend, quoting the words of the report of the Select Committee of 1879, that when "the difference between the rates of interest in India and in England is so considerable as to afford full compensation for the great comparative disadvantages which inevitably attend borrowing in this country," the Secretary of State in council should not hesitate to borrow such moderate sums in this country as will enable the Government of India to complete such public works as shall have obtained his sanction."

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PRACTICAL BANKING, by Professor A. S. Bolles, has met with extraordinary success. The entire first edition is exhausted, and the many demands upon the publishers for more copies necessitate a second edition. This is now in press, and in a few days will be ready. Published by Homans Publishing Co.

## CURIOUS HISTORY OF A BOGUS SCOTCH BANK.

In giving some particulars of the inception and working of the Scottish Banking Company, says the *Scottish Banking and Insurance Magazine*, we shall endeavor to say as little as possible about the enterprising individual whom we have called the moving spirit, Mr. Alexander Gilruth Fleming, for the reason that he is presently in gaol awaiting his trial on a charge of theft, or, alternatively, of breach of trust and embezzlement. But as there has rarely been a case where the "one man power" has been more fully developed, the occasional mention of his name cannot well be avoided. The words of Louis XIV.—*L'état c'est moi*—might have been parodied by Mr. Fleming, and turned into "The bank, it is I!" with all propriety and truth.

The Scottish Banking Company, Limited, was registered on the 12th January, 1881, the nominal capital being fixed at the enormous figure of ten millions sterling. This sum, however, was only commensurate with the vast designs of the projector, which were "the transaction of banking and mercantile business, and other financial operations; the establishment and conducting of agencies or branches in any part of Great Britain and Ireland, or elsewhere, and the purchasing of the good-will or any interest in any business of a similar character." It was no doubt disappointing to find that the gentlemen subscribing the memorandum of association in such a magnificent enterprise were not Rothschilds and Vanderbilts; but the most had to be made of the materials available, and, though disappointing, it was not surprising to see that the seven names adhibited were only those of the general manager, his relatives, and two or three needy "hangers-on." It will sufficiently describe the signatories if we say that no business man in Dundee would have advanced £50 on the joint and several obligation of the whole seven. Rumors were set afloat to the effect that certain "eminent London financiers" were in the background, supporting the institution; but, so far as we can ascertain, the only basis for this report lay in some communications which passed between Mr. A. G. Fleming and a Mr. John Innes, in London—a name identical with that of the gentleman whom sundry unfortunate investors in Scotland have cause to remember as the originator of those short-lived undertakings, the "Northern Counties" and the "Border Counties" Insurance Companies. Various attempts appear to have been made, through this Mr. Innes, to "fly a kite" in London for £1,000, but these proved unsuccessful, and by and by Mr. Innes seems to have returned the compliment by sending down a bill for £100 for discount in Dundee. The general manager's "Board," however, declined the transaction, and the "eminent London financier," disgusted, no doubt, at being refused a "discounting facility" for a beggarly hundred pounds, disappears from the scene. We may presume, in the words of the American poet, that, as regards the Scottish Banking Company,

"The subsequent proceedings  
Interested him no more."

No formal prospectus of the company was issued, but sundry extracts from the articles of association were advertised in the Dun-

dee newspapers, these extracts being rules and regulations of the ordinary type, making no mention of the features which render these articles more remarkable than most prints of a similar kind. Particularly we may note, as omitted, the biographical sketch of the general manager, and the peculiar proviso (which, nevertheless, we must characterize as a commendably prudent one, seeing that the worthy man had already been dismissed from the service of two, if not three, banks), to the effect that "the directors shall have power to remove him only with the sanction of an extraordinary general meeting of the company, at which not fewer than five sixths of the shareholders shall vote for his removal." Then, what is called "the promotion money," to be paid in terms of the articles to the general manager and his brother David—a young gentleman whose rapid development from a linendraper's apprentice to an able financier, having, or said to have, the command of thousands, and fit for the managership of the Edinburgh branch, is worthy of notice—was in keeping with the rest of the figures, being at the rate of two per cent. on the capital subscribed. Supposing the whole capital taken up (a large draft on the imagination, we admit), this would have yielded the tidy little sum of £200,000. But, alas for the vanity of human wishes! Investors failed to appear, and the total capital subscribed, we cannot say *paid*, only reached £1,174, and the brothers would accordingly have to be content with the modest sum of £23. Not a single share seemed to have been taken up *bona-fide*. A few inquiries followed the newspaper announcements, and to these the general manager replied cautiously, to the effect that the shares were being taken up privately, and that at the outset the issue was being confined to "select proprietary." Extremely "select" the "proprietary" proved!

An empty shop having been secured, it was duly fitted up as a banking office—apartments in the rear being appropriately labeled, "Manager's Room," "Secretary's Room," and so on, in readiness for a considerable staff. Pass-books, checks, deposit receipts, and other stationery were obtained from a well-known Edinburgh firm, and all was ready for business—that is, for the receiving of money. Advertisements were put into the newspapers outbidding the Scotch banks in the matter of interest on deposits; but, not content with that, a vigorous canvass for "the needful" was instituted by the general manager and his satellites, with the result that a good few hundreds of pounds were collected, mostly from members of the weaker sex. The precise amount we do not know, so "mixed" are the accounts of the concern by the unprecedented number of cross entries which appear; we believe, however, £1,200 or £1,300 to be pretty near the mark. But the chief sources of supply were the pockets of a certain elderly gentleman, well known in Dundee, and not altogether a stranger in Edinburgh, whose name, however, never appeared in the list of shareholder. This tender-hearted individual having paid dearly for his folly by the loss of his whole fortune, we say nothing more about him beyond pointing out that it would be difficult to find a more striking instance of the force of the claimant's famous dictum, that "men with money and no brains" exist only for the benefit of "men with brains and no money." But, if genuine shareholders and depositors were not easily caught, customers of a certain type were to be had for the new bank in plenty. If an outlet for the funds were needed there was no lack of would-be borrowers. In fact, the establishment became a veritable Cave of Adullam. "Every one that was in debt, and every one

that was in distress, and every one that was discontented (with his banker) resorted unto it." Curiously enough these impecunious gentlemen, whom ordinary bankers would have shunned as they would shun the plague, appear to have been received with open arms; not, indeed, that money was advanced to them—no; in such cases a powerful but invisible "Board" was called into existence, which was ruthless in its refusal of doubtful discount account, and rigid in its adherence to strict banking rule. It was the legal firm in *David Copperfield* produced over again, the general manager being the accommodating and obliging Spenlow and "the Board" the terrible, inexorable Jorkins behind the scenes. The welcome accorded to the needy persons referred to arose from the fact that, as part, we presume, of the 'other financial operations,' a considerable portion of the transactions in the Scottish Banking Company's office related to insolvent estates, and those bankrupts or insolvents who appeared there had their affairs promptly taken in hand for administration. Their stoppage of payments would thereupon follow, and their debtors would be sharply called upon to pay, while there was, of course, comparatively little hurry in settling with the creditors—offers of composition and deeds of arrangement being proverbially slow and difficult of accomplishment. Another prominent feature in the working of this wonderful bank was the management of heritable properties, the most important part of the duty, at least the part that was best attended to, being the collection of the rents. Some £800 or £900 of rents on one set of properties Fleming is accused of not accounting for. From the various sources we have indicated, considerable sums of money, as will be seen, were forthcoming, and, encouraged by his success, the general manager decided on opening branches in Lochee and (braver still) in Edinburgh. But although these two centers are certainly sufficiently diverse in all essentials to have given a fair trial to the new system of banking, at neither place did the result justify the sanguine hopes of the projector. The personal presence of the leading actor was essential to the success of the play; substitutes were of no use.

The company having been fully set agoing on the lines indicated, there seemed no reason why it should not have continued in existence for many years. With moderate care and prudence it might have done so. Although what may be called the ordinary expenditure of the general manager and his *entourage* was lavish enough, considering that his income was almost *nil*, this might not have told seriously on his resources, for some time at least, had it not been accompanied by one unfortunate and most expensive *penchant* which he persisted in gratifying, viz., litigation. "Litigate, litigate, litigate," might well have been the motto of the establishment. No point was too small, no dispute too trifling, no chance too slender, no result too hopeless: into court almost every one having dealings with Fleming or his bank was sooner or later dragged. Some thirty cases of one kind or another he had through the courts these few years; and not through the local courts alone, be it remembered, for almost invariably appeals to the Court of Session followed his defeats, and in some six or eight of the most hopeless the appeals were actually prosecuted in the House of Lords. Unfortunately for him, he had gained a case at the beginning of this wild course of litigation, the very case which, on 4th January, 1881, put the £400 into his hands he is now to be tried for embezzling—a victory more disastrous than a score of ordinary defeats—and he seems to have thought similar



success was bound to attend him always. The result proved otherwise. Case after case went against him and the bank, and it would have needed an establishment on a very different basis from the Scottish Banking Company to stand the strain. Not less than £3,000 seems to have been spent in legal expenses alone during the three or four years. By and by some depositors became clamorous to have their money back. These were put off temporarily by allegations that the amounts had been lodged for some unspecified "fixed period"; and lawyers who were consulted were chary about advising their clients to raise actions against the company, which were certain to entail much worry and expense, and by no means certain to result in the recovery of the cash. But "the beginning of the end" came in October, 1883, in the sequestration of the estate of the general manager, who had indeed been in a state of insolvency all through his business life, and had granted a trust deed in 1879. The sequestration of the furniture in the bank premises for arrears of rent followed in December last, and decree passed on a deposit receipt of the bank for £100 a few months later. Still the fight in the law courts went on, although latterly the legal gentlemen employed appear to have worked with great reluctance, the supplies of "coin" being very meagre, and their cries of "Give, give," were nearly as persistent and insatiable as those of the daughter of the horse-leech. The general manager's appeals *ad misericordiam* were addressed to stony hearts; and, finally, money and credit alike completely exhausted, renewed spasmodic efforts to raise the necessary "coin" were found unavailing; the furniture in the offices at Dundee and Lochee were sold off under sheriff's warrants; an order for liquidation of the bank was pronounced by the Court of Session; and, worst blow of all, the general manager was apprehended and lodged in prison on 7th October last. As he lies there, waiting his trial, his feelings, in hackneyed phrase, "may be better imagined than described."

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SAVINGS BANK—LIABILITY OF DIRECTORS.—The publication by the directors of a Savings bank of an advertisement to the effect that "directors and stockholders are personally responsible for all debts and engagements of the bank," does not constitute a contract with those who may make deposits in reliance thereon, though if the statement be false it will lay the foundation for an action for deceit, according to the decision of the Supreme Court of New Jersey, in the case of *Westervelt vs. Demarest*, reported in the *Reporter*. Said the court: It is manifest that the essential features of a contract are not present here. The publication was a mere representation that a certain fact existed, which cannot, in legal contemplation, be viewed as an agreement, without utterly disregarding the distinction between an ex-parte statement and a contract. The language used contains no undertaking that the directors will pay future depositors. It does not purport to create any liability whatever, or to enter into any engagement, but asserts that a liability already existed. It is not in the form of a present undertaking or agreement to pay. If a contract, it embraces in its terms both directors and stockholders. No authority appears to charge the latter with such an obligation; the language used is inapt and insufficient for that purpose, and could not have been so intended or understood. It is clear that no contract was entered into between these parties, and that no recovery can be had on the ground of a contract liability. But the statement that directors and stockholders were responsible for all debts and engagements of the bank was false, to the knowledge of defendants, and therefore fraudulent. It appearing as one of the findings of fact in the case that the plaintiff made his deposits relying upon the truth of this statement, he would be entitled to recover the loss he sustained by acting upon it in an action for deceit.

## RESPONSIBILITY OF A BANK IN COLLECTING A DRAFT.

SUPREME COURT OF THE UNITED STATES—OCTOBER TERM, 1884.

*The Exchange National Bank of Pittsburgh, Pa. v. The Third National Bank of the City of New York.*

A bank in Pittsburgh sent to a bank in New York, for collection, eleven unaccepted drafts, dated at various times through a period of over three months, and payable four months after date. They were drawn on "Walter M. Conger, Secretary Newark Tea Tray Co., Newark, N. J.," and were sent to the New York bank as drafts on the Tea Tray Company. The New York bank sent them for collection to a bank in Newark, and, in its letters of transmission, recognized them as drafts on the company. The Newark bank took acceptances from Conger individually, on his refusal to accept as secretary, but no notice of that fact was given to the Pittsburgh bank, until after the first one of the drafts had matured. At that time the drawers and an indorser had become insolvent, the drawers having been in good credit when the Pittsburgh bank discounted the drafts. *Held*, that the New York bank was liable to the Pittsburgh bank for such damages as it had sustained by the negligence of the Newark bank.

The Circuit Court having, on a trial before it without a jury, made a finding of facts which did not cover the issue as to damages, and given a judgment for the defendant, this court, on reversing that judgment, remanded the case for a new trial, being unable to render a judgment for the plaintiff for any specific amount of damages.

Blatchford, J.—The Exchange National Bank of Pittsburgh, Pennsylvania, brought this suit against the Third National Bank of the City of New York, in the Circuit Court of the United States for the District of New Jersey, to recover damages for the alleged negligence of the defendant in regard to eleven drafts or bills of exchange indorsed by the plaintiff to the defendant for collection. The suit was tried before the court without a jury. It made a special finding of facts and rendered a judgment for the defendant, to review which the plaintiff has brought this writ of error.

The facts found are these, in substance: The drafts were drawn by Rogers & Burchfield, at Pittsburgh, to the order of J. D. Baldwin, and by him indorsed, on "Walter M. Conger, Secretary Newark Tea Tray Co., Newark, N. J.," and were discounted before acceptance, by the plaintiff, at Pittsburgh, for the drawers. They bore different dates, from June 8, 1875, to September 20, 1875, and were in all other respects similar except as to the sums payable, and in the following form:

"\$1,042.75.

PITTSBURGH, June 8, 1875.

Four months after date, pay to the order of J. D. Baldwin, ten hundred and forty-two 75-100 dollars, for account rendered, value received, and charge to account of

ROGERS & BURCHFIELD.

To Walter M. Conger,

Secretary Newark Tea Tray Co.,

Newark, N. J."

They were transmitted for collection, at different times before maturity, by the plaintiff to the defendant, in letters describing them by their numbers and amounts, and by the words "Newark Tea Tray Co." They were sent by the defendant to its correspondent, the First National Bank of Newark, inclosed in letters describing them generally in the same way, except that, in two of the letters, they were described as drawn on "W. M. Conger, Secretary." The drafts were received by the defendant in New York, within a day or two of the time of discounting them. They were presented by the First National Bank of Newark, to Conger for acceptance, who, except in one instance, accepted them by writing on the face these

words: "Accepted, payable at the Newark National Banking Co., Walter M. Conger." When the acceptances were taken, the time of payment was so far distant that there was sufficient time to communicate to the plaintiff the form of the acceptance, and for the plaintiff thereafter to give further instructions as to the form of acceptance. The Newark bank held the drafts for payment, but the plaintiff was not advised of the form of acceptance until, on the 13th and 19th of October, two of them were returned to it by the defendant. At that time the drawers and indorser were insolvent, but the drawers were in good credit when the drafts were discounted by the plaintiff. The drafts were duly protested for non-payment, but none of them were paid. The Newark Tea Tray Company is a New Jersey corporation, doing business in that State, and Walter M. Conger is its Secretary. The drafts were re-presented to the plaintiff by Burchfield, one of the drawers, who offered them for discount, to be "the paper of the Newark Tea Tray Company," drawn against shipments of iron by Rogers & Burchfield to that company, and were discounted as such by the plaintiff. He also represented that Walter M. Conger was the person who examined the shipments of iron and "accepted the drafts," and that they were drawn in this form for the convenience and accommodation of the company. On drafts of Rogers & Burchfield on the "Newark Tea Tray Co.," dated May 4, 1874, May 20, 1874, and June 30, 1874, discounted by the plaintiff and transmitted for acceptance to the defendant, and by it sent to the same Newark bank, that bank took acceptance from Walter M. Conger individually, without notice to the plaintiff; and Conger, during the time the drafts sent by the plaintiff to the defendant, addressed to the "Newark Tea Tray Co.," and to "Walter M. Conger, Secretary Newark Tea Tray Co., Newark, N. J.," were in the hands of the Newark bank to procure acceptance, informed the cashier of the Newark bank that he would not accept these drafts in his official capacity as secretary.

The negligence alleged consists in not obtaining acceptance of the drafts by the Tea Tray Company, or having them protested for non-acceptance by that company, or giving notice to the plaintiff of such non-acceptance, and in failing to give notice to the plaintiff that the company would not accept the drafts, or that Conger would not accept them in his official capacity.

The decision of the Circuit Court proceeded on the ground that, at most, the defendant erred in judgment as to the import of the address on the drafts; that it had no information to qualify or explain such import; that for it to regard the drafts as addressed to Conger in his individual capacity, was not a culpable error, because it followed decisions to that effect, made by courts of the highest standing in New Jersey and New York and elsewhere; that it exercised intelligent and cautious judgment on the information it had; and that the plaintiff knew who was the intended drawee, as understood between it and the drawers, and ought to have advised the defendant, but failed to do so. 4 Fed. Rep. 20.

The only question presented by the record is that of the sufficiency of the facts found to support the judgment.

It is contended by the defendant that its liability in taking at New York for collection these drafts on a drawee at Newark, extended merely to the exercise of due care in the selection of a competent agent at Newark, and to the transmission of the drafts to such agent, with proper instructions; and that the Newark bank was not its agent, but the agent of the plaintiff, so that the defendant is not liable for the default of the Newark bank, due care having been used in selecting that bank. Such would be the result of the rule established in Massachusetts (*Fabens v. Mercantile Bank*, 33 Pick. 330; *Dorchester Bank v. New England Bank*, 1 Cush. 177); in Maryland (*Jackson v. Union Bank*, 6 Har. & J. 146); in Connecticut (*Lawrence v. Stonington Bank*, 6 Conn. 521; *East Haddam Bank v. Scovil*, 12 id. 303); in Missouri (*Daly v. Butchers & Drovers' Bank*, 56 Mo. 94); in Illinois (*Etna Ins. Co. v. Alton City Bank*, 25 Ill. 243); in Tennessee (*Bank of Louisville v. First National Bank*, 8 Baxter 101); in Iowa (*Guelich v. National State Bank*, 56 Iowa 434); and in Wisconsin *Stacy v. Dane County*

*Bank*, 12 Wis. 629). The authorities which support this rule rest on the proposition that, since what is to be done by a bank employed to collect a draft payable at another place, cannot be done by any of its ordinary officers or servants, but must be entrusted to a sub-agent, the risk of the neglect of the sub-agent is upon the party employing the bank, on the view that he has impliedly authorized the employment of the sub-agent; and that the incidental benefit which the bank may receive from collecting the draft, in the absence of an express or implied agreement for compensation, is not a sufficient consideration from which to legally infer a contract to warrant against loss from the negligence of the sub-agent.

The contrary doctrine, that a bank, receiving a draft or bill of exchange in one State for collection in another State from a drawee residing there, is liable for neglect of duty occurring in its collection, whether arising from the default of its own officers, or from that of its correspondent in the other State, or an agent employed by such correspondent, in the absence of any express or implied contract varying such liability, is established by decisions in New York: *Allen v. Merchants' Bank*, 22 Wend. 215; *Bank of Orleans v. Smith*, 3 Hill 560; *Montgomery County Bank v. Albany City Bank*, 3 Selden 459; *Commercial Bank v. Union Bank*, 1 Kernan 203, 212; *Ayrault v. Pacific Bank*, 47 N. Y. 570; in New Jersey, *Titus v. Mechanics' National Bank*, 6 Vroom 588; in Pennsylvania, *Wingate v. Mechanics' Bank*, 10 Penn. St. 104; in Ohio, *Reeves v. State Bank*, 8 Ohio St. 465; and in Indiana, *Tyson v. State Bank*, 6 Blackf. 225. It has been so held in the Second Circuit, in *Kent v. Dawson Bank*, 13 Blackf. C. C. 237; and the same view is supported by *Taber v. Perrot*, 2 Gall. 565, and by the English cases of *Van Wart v. Woolley*, 5 Barn. & Cress. 439, and *Mackerrys v. Ramsays*, 9 Cl. & Fin. 818. In the latter case, bankers in Edinburgh were employed to obtain payment of a bill drawn on Calcutta. They transmitted it to their correspondent in London, who forwarded it to a house in Calcutta, to whom it was paid, but that house having failed, the bankers in Edinburgh, being sued, were, by the House of Lords, held liable for the money on the ground that, they being agents to obtain payment of the bill, and payment having been made, their principal could not be called on to suffer any loss occasioned by the conduct of their sub-agents, between whom and himself no privity existed.

The question under consideration was not presented in *Bank of Washington v. Triplett*, 1 Pet. 25; for, although the defendant bank in that case was held to have contracted directly with the holder of the bill to collect it, the negligence alleged was the negligence of its own officers in the place where the bank was situated.

In *Hoover v. Wise*, 91 U. S. 308, a claim against a debtor in Nebraska was placed by the creditor in the hands of a collecting agency in New York, with instructions to collect the debt, and with no other instructions. The agency transmitted the claim to an attorney at law in Nebraska. The attorney received the amount of the debt from the debtor in Nebraska, in fraud of the bankrupt law, and paid it over to the agency, but the money did not reach the hands of the creditor. The assignee in bankruptcy having sued the creditor to recover the money, this court (three justices dissenting), held that the attorney in Nebraska was not the agent of the creditor in such a sense that his knowledge that a fraud on the bankrupt law was being committed was chargeable to the creditor, on the ground that the collecting agency having undertaken the collection of the debt and employed an attorney to do so, the attorney employed by it, and not by the creditor, was its agent and not the agent of the creditor; and the creditor was held not to be liable to the assignee in bankruptcy for the money. In the opinion of the court it is said, that the case falls within the decisions in the above mentioned cases of *Reeves v. State Bank*, 8 Ohio St. 465; *Mackerrys v. Ramsays*, 9 Cl. & Fin. 818; *Montgomery County Bank v. Albany City Bank*, 3 Selden 459, *Commercial Bank v. Union Bank*, 1 Kernan 203, and *Allen v. Merchants' Bank*, 22 Wend. 215; and it is said that those cases, the first three of which are stated at length, show, "that where a

bank, as a collection agency, receives a note for the purposes of collection, its position is that of an independent contractor, and the instruments employed by such bank in the business contemplated are its agents and not the sub-agents of the owner of the note." The court proceeds to say, that those authorities go far toward establishing the position that the collecting agency was an independent contractor, and that the attorney it employed was its agent only, and not in such wise the agent of the defendant, as to make the defendant responsible for the knowledge of the attorney in Nebraska. The court then cites, as a case in point, *Bradstreet v. Everson*, 72 Penn. St. 124, as holding that where a commercial agency at Pittsburgh received drafts to be collected at Memphis and sent them to its agent at Memphis, who collected the money and failed to remit it, the agency at Pittsburgh was to be regarded as undertaking to collect, and not merely receiving the drafts for transmission to another for collection, and as being liable for the negligence of its agent at Memphis. It also cites, as to the same purport, *Lewis v. Peck*, 10 Ala. 142, and *Cobb v. Beake*, 6 Ad. & El. 930. It then says that these authorities fix the rule, before stated, on which the decision is rested. So far from there being anything in that case which goes to exonerate the defendant in the case at bar, its reasoning tends strongly to affirm the principle on which the defendant must be held liable. Indeed, its language supports the view that the Newark bank, in this case, would not be liable directly to the plaintiff. If that be so, and the defendant is not liable, the plaintiff is without remedy.

The case of *Britton v. Nicolls*, 104 U. S. 757, is cited to show that the defendant is not liable. In that case, the defendants, bankers in Natchez, Mississippi, received from the plaintiff, a resident of Illinois, for collection, two promissory notes, dated at Natchez, but not stating any place of payment. They were sent to the defendants, through a banking house in Bloomington, Illinois, with instructions to collect them, if paid, and, if not, to protest them and give notice to the indorsers. The defendants placed the notes in the hands of a reputable notary in Natchez, to make demand of payment and give notice to the indorsers. It was held that the defendants were not liable for negligence on the part of the notary, whereby the liability of a responsible indorser was released. The negligence consisted in not presenting the notes to the maker at maturity and demanding payment. The maker resided twelve or fifteen miles from Natchez, and had no domicile or place of business in Natchez. No information as to his residence was given to the defendants with the notes, and the plaintiff was ignorant of it. All the instructions which the defendants gave to the notary were given on the several days the notes matured when they handed the notes to the notary, with instructions to demand payment, and, if they were not paid, to protest them and send notice of non-payment to the indorsers. The notary knew where the maker resided, and that he had no place of business in Natchez; but he inquired for him at three public places in Natchez, and, not finding him, protested the notes for non-payment, and gave notice to the indorsers. The defendants had inquired at Natchez as to residence of the maker, but had not learned it, and had sent notice to him through the post office there, of the amount and date of the maturity of the notes, a reasonable length of time in advance. On these facts it is apparent that the only question raised was as to the liability of bankers in Natchez, in respect to a note sent to them for collection, dated at Natchez, and not payable at any specified place there or elsewhere, for the negligence of a public notary there. The suit was not against the banking house in Bloomington, which was only the agent to transmit the notes to the defendants for collection. The opinion of the court states the question to be as to "the liability of the collecting bankers for the manner in which the notary to whom the notes are delivered for presentment and protest discharges his duty." The court says: "The notes being dated at Natchez, the presumption of law, in the absence of other evidence on the subject, is, that that was the place of residence of the maker, and that he contemplated making payment there. The duty of the bankers, as collecting agents, was, therefore, to make inquiry for his

residence or place of business in that city, and, if he had either, to make there the presentment of the notes, but, if he had neither, to use reasonable diligence to find him for that purpose." The court then refers to the case of *Allen v. Merchants' Bank*, 22 Wend, 215, in the Court of Errors of New York, as declaring the doctrine that a bank receiving paper for collection is responsible "for all subsequent agents employed in the collection of the paper," and states that, though that decision has been followed in New York, and its doctrine has been adopted in Ohio, it has been generally rejected in the courts of other States. The case of *Dorchester Bank v. New England Bank*, 1 Cush. 177, is then cited, as holding that if a bank acts in good faith in selecting a suitable sub-agent at the place where the bill is payable, it is not liable for his neglect; and the opinion states that this doctrine has been followed in the Supreme Courts of Connecticut, Maryland, Illinois, Wisconsin and Mississippi. The court, however, does not adopt either of these views, or rest the decision of the case before it on the latter view; for it proceeds to say: "In the New York case, in the Court of Errors, it was conceded that the general liability of the collecting bank might be varied and limited by express agreement of the parties, or by implication arising from general usage; and, in some of the cases in other States, proof of such general usage of bankers in the employment of notaries was permitted, and a release thereby asserted from liability of the bank for any neglect by them." The court then states, that there was in the case no proof of any general usage of bankers at Natchez, as to the employment of notaries public in the presentment and protest of notes left with them for collection. But, as there was a statute of Mississippi passed in 1833, authorizing notaries to protest promissory notes, and requiring them to keep a record of their notarial acts in such cases, and making the record admissible in evidence in the courts, as if the notary were a witness, and as the courts of that State had held (*Tiernan v. Commercial Bank*, 7 How. (Miss.) 648; *Agricultural Bank v. Commercial Bank*, 7 Smedes & Marshall 592; *Bowling v. Arthur*, 34 Mississippi 41) under that statute that it was a part of the duty of the notary, when protesting paper, to give all notices of dishonor required to charge the parties to it, and that a bank receiving commercial paper as an agent for collection, properly discharged its duty, in case of non-payment, by placing the paper in the hands of such notary, to be proceeded with in such manner as to charge the parties to it, and that the bank was not liable, in such cases, for the failure of the notary to perform his duty, the court says, that, "judged by the law of Mississippi, the defendants discharged their duty to the plaintiff when they delivered the notes received by them for collection to the notary public," and adds: "What more could they have done, as intelligent and honest collecting agents, desirous of performing all that was required of them by the law, ignorant as they were, of the residence or place of business of the maker of the notes, and having unsuccessfully made diligent inquiry for them?" It further says: "The notary was not, in this matter, the agent of the bankers. He was a public officer, whose duties were prescribed by law; and when the notes were placed in his hands, in order that such steps should be taken by him as would bind the indorsers if the notes were not paid, he became the agent of the holder of the notes. For any failure on his part to perform his whole duty, he alone was liable." On these grounds, the court held, that the defendants were not guilty of negligence, and were not liable for the negligence of the notary. The decision was not placed on any general rule of commercial law, but rested on the fact that the notary was a public officer, with duties prescribed by statute, and has no application to the case at bar. No reference was made to the case of *Hoover v. Wise*, nor any suggestion that the views stated in the opinion in that case were doubted or dissented from. There is, in the case at bar, no negligence of a notary, or of a public officer, or of any person whose duties or functions are prescribed by statute; and the question of the liability of the defendant is to be determined on principles not involved in the actual decision in *Britton v. Nicolls*.

The question involves a rule of law of general application. Whatever be the proper rule, it is one of commercial law. It concerns trade between different and distant places, and in the absence of statutory regulations, or special contract, or usage having the force of law, it is not to be determined according to the views or interests of any particular individuals, classes or localities, but according to those principles which will best promote the general welfare of the commercial community. Especially is this so when the question is presented to this tribunal, whose decisions are controlling in all cases in the federal courts.

The agreement of the defendant in this case was to collect the drafts, not merely to transmit them to the Newark bank for collection. This distinction is manifest, and the question presented is, whether the Newark bank, first receiving these drafts for collection, is responsible for the loss or damage resulting from the default of its Newark agent. There is no statute or usage or special contract in this case, to qualify or vary the obligation resulting from the deposit of the drafts with the New York bank for collection. On its receipt of the drafts, under these circumstances, an implied undertaking by it arose, to take all necessary measures to make the demands of acceptance necessary to protect the rights of the holder against previous parties to the paper. From the facts found it is to be inferred that the New York bank took the drafts from the plaintiff as a customer, in the usual course of business. There are eleven drafts in the case, running through a period of over three months, and the defendant had previously received from the plaintiff two other drafts, acceptances of which it had procured from Conger, at Newark, through the Newark bank. The taking by a bank, from a customer, in the usual course of business, of paper for collection, is sufficient evidence of a valuable consideration for the service. The general profits of the receiving bank from the business between the parties, and the accommodation to the customer, must all be considered together and form a consideration, in the absence of any controlling facts to the contrary, so that the collection of the paper cannot be regarded as a gratuitous favor. *Smedes v. Bank of Utica*, 20 Johns. 372, and 3 Cowen 662; *McKinster v. Bank of Utica*, 9 Wend. 46, and 11 id. 473. The contract, then, becomes one to perform certain duties necessary for the collection of the paper and the protection of the holder. The bank is not merely appointed an attorney, authorized to select other agents to collect the paper. Its undertaking is to do the thing, and not merely to procure it to be done. In such case the bank is held to agree to answer for any default in the performance of its contract; and, whether the paper is to be collected in the place where the bank is situated, or at a distance, the contract is to use the proper means to collect the paper, and the bank, by employing sub-agents to perform a part of what it has contracted to do, becomes responsible to its customer. This general principle applies to all who contract to perform a service. It is illustrated by the decision of the Court of King's Bench in *Ellis v. Turner*, 8 T. R. 531, where the owners of a vessel carried goods to be delivered at a certain place, but the vessel passed it by without delivering the goods, and the vessel was sunk and the goods were lost. In a suit against the owners for the value of the goods, based on the contract, it was contended for the defendants that they were not liable for the misconduct of the master of the vessel in carrying the goods beyond the place. But the plaintiff had judgment, Lord Kenyon saying that the defendants were answerable on their contract, although the misconduct was that of their servant, and adding, "the defendants are responsible for the acts of their servant in those things that respect his duty under them, though they are not answerable for his misconduct in those things that do not respect his duty to them."

The distinction between the liability of one who contracts to do a thing, and that of one who merely receives a delegation of authority to act for another, is a fundamental one, applicable to the present case. If the agency is an undertaking to do the business, the original principal may look to the immediate contractor with himself, and is not obliged to look to inferior or distant under-contractors or sub-agents, when defaults occur injurious to his interest.

Whether a draft is payable in the place where the bank receiving for collection is situated, or in another place, the holder is aware that the collection must be made by a competent agent. In either case there is an implied contract of the bank that the proper measures shall be used to collect the draft, and a right, on the part of its owner, to presume that proper agents will be employed, he having no knowledge of the agents. There is, therefore, no reason for liability or exemption from liability in the one case which does not apply to the other. And while the rule of law is thus general, the liability of the bank may be varied by consent, or the bank may refuse to undertake the collection. It may agree to receive the paper only for transmission to its correspondent and thus make a different contract, and become responsible only for good faith and due discretion in the choice of an agent. If this is not done, or there is no implied understanding to that effect, the same responsibility is assumed in the undertaking to collect foreign paper, and in that to collect paper payable at home. On any other rule, no principal contractor would be liable for the default of his own agent, where, from the nature of the business, it was evident he must employ sub-agents. The distinction recurs between the rule of merely personal representative agency and the responsibility imposed by the laws of commercial contracts. This solves the difficulty and reconciles the apparent conflict of decision in many cases. The nature of the contract is the test. If the contract be only for the immediate services of the agent, and for his faithful conduct as representing his principal, the responsibility ceases with the limits of the personal services undertaken. But, where the contract looks mainly to the thing to be done, and the undertaking is for the due use of all proper means to performance, the responsibility extends to all necessary and proper means to accomplish the object, by whomsoever used.

We regard the proper rule of law applicable to this case, that declared in *Van Wart v. Woolley*, 5 Barn. & Cress. 439, where the defendants, at Birmingham, received from the plaintiff a bill on London, to procure its acceptance. They forwarded it to their London banker, and acceptance was refused, but he did not protest it for non-acceptance or give notice of the refusal to accept. Chief Justice Abbott said—"Upon this state of facts it is evident that the defendants (who cannot be distinguished from, but are answerable for, their London correspondent) have been guilty of a neglect of the duty which they owed to the plaintiff, their employer, and from whom they received a pecuniary reward for their services. The plaintiff is, therefore, entitled to maintain his action against them, to the extent of any damage he may have sustained by their neglect." In that case there was a special pecuniary reward for the service. But, upon the principles we have stated, we are of opinion that, by the receipt by the defendant of the drafts in the present case for collection, it became, upon general principles of law, and independently of any evidence of usage, or of any express agreement to that effect, liable for a neglect of duty occurring in that collection, from the default of its correspondent in Newark.

What was the duty of the defendant, and what neglect of duty was there? An agent receiving for collection, before maturity, a draft payable on a particular day after date, is held to due diligence in making presentment for acceptance, and if chargeable with negligence therein, is liable to the owner for all damages he has sustained by such negligence: *Allen v. Suydam*, 20 Wend. 321; *Walker v. Bank of the State of New York*, 5 Selden 582. The drawer or indorser of such a draft is, indeed, not discharged by the neglect of the holder to present it for acceptance before it becomes due: *Bank of Washington v. Triplett*, 1 Peters 25, 35; *Townsley v. Sumrall*, 2 id. 170, 178. But if the draft is presented for acceptance and dishonored before it becomes due, notice of such dishonor must be given to the drawer or indorser, or he will be discharged; 3 Kent's Comm. 82; *Bank of Washington v. Triplett*, 1 Peters 25, 35; *Allen v. Suydam*, 20 Wend. 32; *Walker v. Bank of the State of New York*, 5 Selden 582; *Goodall v. Dalley*, 1 T. R. 712; Bayley on Bills, 2d Am. ed., 213. Moreover, the owner of a draft payable on a day certain, though not bound to present it for acceptance in or-



der to hold the drawer and indorser, has an interest in having it presented for acceptance without delay, for it is only by accepting it that the drawee becomes bound to pay it, and, on the dishonor of the draft by non-acceptance and due protest and notice, the owner has a right of action at once against the drawer and indorser, without waiting for the maturity of the draft; and his agent to collect the draft is bound to do what a prudent principal would do; 3 Kent's Comm., 94; *Robinson v. Ames*, 20 Johns. 146; *Lenox v. Cook*, 8 Mass. 460; *Ballingalls v. Gloster*, 3 East. 481; *Whitehead v. Walker*, 9 Meeson & Welsby, 506; *Walker v. Bank of the State of New York*, 5 Selden 582.

In view of these considerations it is well settled that there is a distinction between the owner of a draft and his agent, in that, though the owner is not bound to present a draft payable at a day certain, for acceptance, before that day, the agent employed to collect the draft must act with due diligence to have the draft accepted as well as paid, and has not the discretion and latitude of time given to the owner, and for any unreasonable delay is responsible for all damages sustained by the owner: 3 Kent's Comm., 82; Chitty on Bills, 13th Am. ed., 272, 273.

The defendant being thus under an obligation to present the drafts for acceptance, and having, in fact, presented them, through the Newark bank to Conger, the secretary of the company was bound not to take the acceptances it did, but to treat the drafts as dishonored. The plaintiff was, at least, entitled to an acceptance in the terms of the address on the drafts: *Walker Bank of the State of New York*, 5 Selden, 582. The defendant had notice, from the description of the drafts by the words "Newark Tea Tray Co.," in the letters sending them for collection, that the plaintiff regarded the drafts as drawn on the Company; and the defendant recognized its knowledge of the fact that the drafts were drawn on the company by describing them by the words "Newark Tea Tray Company," in its letters to the Newark bank, in every instance but two. If, on the face of the drafts, the address was ambiguous, it was not for the defendant to determine the question, as against the plaintiff, by taking an acceptance which purported to be the acceptance of Conger individually, especially in view of the information it had by the words "Newark Tea Tray Co.," in the letters sending the drafts to it for collection. It appears that the drafts were discounted, by the plaintiff, as drafts on the company, and if it could have had an acceptance in the terms of the address, it would, in a suit against the company, have been in a condition to show who was the real acceptor. But, with the information given to the Newark bank by Conger, while that bank had in its hands for acceptance, drafts drawn in the same form as those here in question, that he would not accept such drafts in his official capacity as secretary, the Newark bank chose to take acceptances individual in form. This was negligence, for which the defendant is liable to the plaintiff in damages, no notice of dishonor having been given. The defendant was bound to give such notice to the plaintiff: *Walker v. Bank of the State of New York*, 5 Selden 582.

The question as to whether the company would have been liable on the drafts, if they had been accepted in the terms of the address, is not one on the determination of which this suit depends; nor do we find it necessary to discuss the question as to whether, on the face of the drafts, the company or Conger individually is the drawee. The very existence of the ambiguity in the address, and of the question as to whether the company would be liable on an acceptance in the terms of the address, is a cogent reason why the defendant should not be allowed, without further communication with the holder, to do acts which may vary the rights of the holder, without responding in damages therefor. The risk is on the defendant, and not on the plaintiff.

It is, therefore, plain that the judgment must be reversed. But judgment cannot be now rendered for the plaintiff for damages. There must be a new trial. Although there is a special finding of facts, it does not cover the issue as to damages. No damages are found. The action is one for negligence sounding in damages. Although the complaint alleges that the drawers and

the indorser are discharged for want of notice of non-acceptance, and although it is found that the drawers were in good credit when the drafts were discounted, and that the drawers and indorser had become insolvent by the 13th and 19th of October, 1875, there is nothing in the finding of facts on which to base a judgment for any specific amount of damages. On the new trial that question will be open, and we do not intend to intimate any opinion on the subject.

The judgment of the Circuit Court is reversed, with direction to award a new trial.

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## BOOK NOTICES.

*Icaria: A Chapter in the History of Communism.* By ALBERT SHAW, Ph.D.  
New York and London: G. P. Putnam's Sons. 1884.

Books of late on socialism and communism have rapidly multiplied. Both in this country and in Europe these movements have been carefully studied. The above is the latest work which has appeared here. It is a university graduation thesis; but well worth publishing. The author evinces a true historical spirit, for he has written a colorless, impartial narrative. Nevertheless, this little work is highly interesting. The struggles of the Icaria community have been truly heroic, varied and impressive. The reader who is not moved in reading this story, whose enthusiasm to aid society is not kindled, is lacking in some of the best elements of human character.

*The Distribution of Products, or the Mechanism and the Metaphysics of Exchange.* By EDWARD ATKINSON. New York and London: G. P. Putnam's Sons. 1885.

The three essays which compose this book are replete with striking facts and deductions. They show that the wrtter has lived close to the actual world around him. The second essay is perhaps not so noteworthy as the others, but even this deserves the permanent form now given to it. It is not easy to give a general summary of the author's doctrines, and we must, therefore, be content with stating some of them. He maintains that high wages are compatible with cheap production, and that low wages often are only another name for expensive production. Furthermore, as capital increases, the relative profits of capital diminish, while the absolute and relative wages of the wage laborer increase. The consumer pays his money, not to the great capitalist, but to the shopkeeper and laborer. In the bread we eat, a relatively slight proportion of cost goes to the farmer who produces the wheat, to the miller who changes it into flour, to the railroad that carries it from St. Paul or Chicago to New York, and to the merchant who orders this transfer. The really heavy cost begins when the flour reaches the baker, and culminates when the bread is handed from the baker to the final consumer. Again the law of diminishing returns is illustrated in a striking way. Of what the people in this country produce in the current year, say 10,000 million dollars, a certain amount, not far from ten per cent., goes for taxes; another ten per cent. goes for the preservation and increase of capital; the remainder is consumed chiefly by the wage workers and their families. On an average a person in this country produces less than \$200 dollars a year, though the

actual producers may create, on an average, \$525 each. But the final consumer has less than fifty cents a day to live on, and out of that petty sum must come the profits of capital as well as the support of the people. Clearly, then, the profits of capital will vanish and the support of labor will be wretched, unless the very highest skill is used both in the production and distribution of goods. We are not tempted to add any criticisms, even if the author is not always consistent in his expositions. We feel more like thanking him for giving us so much that is fresh and helpful, than we do of criticising. It may be added that the book is highly stimulating, which is a great merit.

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*The Board of Trade and the Produce Exchange; their History, Methods and Law.* By LEWIS H. BISBEE and JOHN C. SIMONDS. Chicago: Callaghan & Co. 1884.

It was not necessary for the Messrs. Bisbee and Simonds to hint at an apology for producing this work. No other existed, one was needful, and they have executed their self-imposed task in a creditable manner. The first chapter covers the history and nature of the Commercial Exchange, or Board of Trade. After defining a corporation, the origin of this institution is traced, followed by a classification and description of its powers. The history of the Commercial Exchange (pp. 9-14) is a more interesting bit of reading than is usually found in works of this nature. The second chapter deals with the charters of exchanges, their scope and powers, the election of officers and members, and the method of settling differences between members by arbitration. This subject is considered very fully. Next is considered the validity of by-laws, whether memberships are property, and the legality of speculation. To give completeness to the work it was necessary to include the law of grain and produce brokers and commission merchants in their relations to their customers or principals. A useful appendix has been added, containing the rules and by-laws of several produce exchanges. The wonderful part played by exchanges in conducting the business of the day gives a special interest to this work.

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*The Transfer of Stock in Private Corporations.* By ABBOTT LAWRENCE LOWELL and FRANCIS C. LOWELL. Boston: Little, Brown & Co. 1884.

This is a very useful treatise. Many of those who own stock in railroads, banks, and other corporations can profit by this publication to ascertain their rights and duties with respect to such property. The work can be understood by the careful reader, though written in the ordinary style of a law book. The principles are clearly stated, and it is presumed that the authors have cited all the more important cases relating to the subject. The topics are well arranged, the index is full, and we can recommend the work to all who are interested in finding out the law pertaining to the transfer of stock, whether lawyers or not.

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The laudatory comments of the press on PRACTICAL BANKING, by Professor A. S. Bolles, bear ample testimony to the ability of the author, and the sound, practical teachings of his work. The exhaustion of the first edition is likewise proof of its well-merited success. Published by Homans Publishing Company.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. COMPUTATION OF INTEREST ON PARTIAL PAYMENTS.

In reference to your reply upon this subject in the January number, there is doubt upon the point among good and experienced bankers here, and some of our best lawyers agree with me in thinking that the method of computation first given in the inquiry is the more correct one. The case of *Story v. Livingston* does lay down the rule, contrary to my view, but I think an examination of that case will show it was a matter of partial payments regularly, and therefore entirely correct. But in my case the principal or interest was certainly not due until the end of the year, and I cannot see why a voluntary payment and acceptance of a part of the principal should change the terms of the plain contract and make *compound interest*, which I believe is never permitted by any court, except recently, when plainly and positively so required by the contract itself, or *possibly* by the evident intention of the parties. Some of our bankers think the interest on the whole amount for the entire time could be demanded, notwithstanding the payments, but I am quite sure that is not correct.

REPLY.—The above is the substance of a criticism made by our correspondent upon our opinion upon this question, and we refer to it again, because the point is not without interest. We have no doubt of the correctness of the reply referred to, or that the method of computing interest there stated works substantial justice between the parties. When a partial payment is made upon a debt which bears interest, it is the right of the creditor to apply the payment first to the interest which has accrued at the time of the payment. And it can make no difference that the payment was made before the debt, or the interest thereon, were payable by the terms of the contract. The creditor was not obliged to accept any payment upon the debt before its maturity, and so to lose the benefit of the contract, by which he was entitled to have the whole debt kept at interest during the contract period; and, if the creditor is willing to accept a partial payment before the debt matures, he has the clearest right to say, in the absence of a special agreement, that the payment shall be applied to the debt, which is evidenced by the note, as any other partial payment would be, viz.: first in satisfaction of the interest then accrued, even if it was not payable by the terms of the contract. It is not quite accurate to say that, by this method the debtor pays compound interest, in the sense of paying interest upon interest. He really pays interest from time to time before it is due, and the diminutions of his payments by reason of the application of a part of them to interest, leaves so much less to be applied, from time to time, to the principal, which is thereby left a larger sum to carry interest against the debtor, than it would be if the partial payments were applied directly to the principal, as in the method preferred by our correspondent. This is not strictly the payment of interest upon interest; and, if it has substantially the same effect, it is enough to say, that it is a kind of compound interest, which has always been allowed by the courts. The method preferred by our

correspondent is, *in effect*, a partial adoption of that in use between merchants in keeping their mutual accounts. In mercantile accounts of this sort it is customary to charge and credit interest upon each item of debit and credit from their several dates; but in making up such accounts, it is also customary to strike a balance at the end of each year, of the items of principal and those of interest, and to carry the footings of the two to a new account, as forming the first item of principal for the ensuing year. This method of accounting, although it involves the payment of compound interest, has been sanctioned by the courts, but only in cases of mercantile accounts. It has however, no application here, and we know of no authority for adopting it in a case like the present. We agree with our correspondent in thinking that the view, that interest on the whole amount for the entire time can be demanded, is incorrect. If the creditor receives and accepts partial payments before the debt matures, it must be that the law will apply each payment to the debt at once, and, from the time of each payment, there will consequently be so much less debt to carry interest against the debtor under the terms of the contract.

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## II. PROTEST OF DRAFT BY AGENT FOR COLLECTION.

A bank receives for collection a draft on two months' time, drawn to drawer's own order and indorsed by him, but not indorsed by party sending for collection. In the absence of anything to indicate the item as "no protest," should the bank, on the refusal of drawee to accept the draft, protest the same?

Would it make any difference with the duty of collecting bank if parties sending draft for collection had indorsed it?

REPLY.—Protest was proper. There was nothing to indicate that the sending bank did not wish to have the liability of the drawer of the draft fixed by a protest, in case of non-acceptance; and the collecting bank was not called upon to take the risk of being compelled to show, in case of an omission to protest, that the discharge of the drawer by such omission was a matter of no consequence to the sending bank.

We do not see that it makes any difference whether the draft was indorsed by the sending bank or not. It was clearly the duty of the sending bank, if it did not wish to incur the expense of a protest, to give precise instructions to that effect.

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## III. RESPONSIBILITY OF BANK FOR THE COLLECTION OF BOOK ACCOUNTS.

C, a merchant, becoming insolvent, assigns his books of accounts to B, a creditor, who takes them to a National bank and leaves them with the president, who, it is presumed, for the bank, undertakes their collection. Afterward the president absconds, the bank delivers the books to B, creditor of C, but refuses to pay amount collected.

Is the bank liable?

REPLY.—Whether a National bank is authorized to undertake the collection of book accounts in the manner described in this inquiry, is doubtful under the law (U. S. Rev. Stat., § 5,135), and we do not think the president, by virtue of his office, and without a vote of the directors, would be authorized to bind the bank in an agreement to collect them. (Morse on Banking, p. 143, *et seq.*) If, however, the president, assuming to act for the bank, collected any of the accounts, and placed the proceeds thereof among the funds

of the bank, we think the bank is, to that extent, responsible to B for the amount so collected. It ought not, after receiving a benefit from the unauthorized act of its president, to be allowed to repudiate his agreement with B, to pay over the money actually collected and placed among its funds. But we do not think the bank is responsible for money collected which has not been placed among its funds, and from which it has received no benefit.

#### IV. DUTY OF AGENT FOR COLLECTION TO GIVE NOTICE OF NON-PAYMENT.

A, B and C were three banks, doing business within fifteen miles of each other. In remitting for a collection, A sent B its draft on C for \$1,000. B kept an account with C, and sent this draft to C for credit. It was mailed on Monday morning, and reached the town where C is located some time in the afternoon of the same day, but it is not certain that it was seen by C until the opening of business on Tuesday morning. The credit of A not being sufficient to meet the draft, C held it during the whole of the business day of Tuesday and also of Wednesday, without sending notice of any kind to either A or B. The draft was handed to a notary at the close of business hours on Wednesday and then protested. The two towns are connected by telephone and telegraph, besides the mails on three railroads.

On Thursday morning A assigned. B received the notice of protest about the time the assignment was made, and did not get the draft back until A's doors had been closed. C claims to have used due diligence in protesting the draft. Was the delay above stated within the limit, or was it sufficient to make C liable to B for the payment of the draft or for any loss on it through A's failure?

What is the custom about protesting such a draft?

REPLY.—Upon the best consideration we are able to give this case, we think that C was negligent, and is liable to B for the amount of the draft. Upon receipt of the draft C became the agent of B to present the draft to itself for payment. Assuming that it received the draft on Tuesday, it was not justified in its character as agent in waiting until Wednesday to present the draft, as it would have been had the draft been drawn upon another bank. It was its duty as agent to present the draft on Tuesday, and treating the draft as so presented, it became its duty, as drawee, to decide *on that day*, whether it would honor the draft or not. See *Bailey v. Bodenham*, 16 C. B. N. S. 295, *Hare v. Hurty*, 10 C. B. N. S. 65, *Morse on Banking*, 396. Regarding the draft, as we must, as dishonored on Tuesday, the question then is, what was C's duty as agent in respect to giving notice of dishonor?

Protest by a notary was unnecessary, and the only act done by him, which could have any legal effect upon the rights of the parties, was his notice of dishonor; but C having employed a notary to give the notice, the question is, whether the notice given by him was sufficient, and whether it was seasonably given. In our opinion it was neither. It was, no doubt, a notice of a demand and refusal to pay the check on Wednesday; but the draft had been dishonored on Tuesday, and under these circumstances a demand made upon Wednesday was ineffectual to hold the drawer. Nor was it seasonably given. In saying this we assume that there were several convenient mails on Wednesday, by which notice of non-payment might have been sent, before the mail by which the notary's notice was actually forwarded (assuming his notice to have been sent by a mail which left on Wednesday). When the party entitled to notice of dishonor lives in another place, the holder is not obliged to send him notice until the next day after the dishonor; but at

what time on that day, when there are several convenient mails, is a point upon which the authorities are not uniform. Some writers say that where there are two mails which go out on the same day, it is sufficient if the notice is put into the post-office early enough to go by either, for the law takes no cognizance of parts of days. Story on Promissory Notes, § 324; Daniel on Neg. Insts., § 1040. Others say that the holder is bound to forward the notice by the first mail of the day after dishonor, which does not start at an unreasonably early hour. Parsons on Notes & Bills 541. Bigelow on Notes & Bills 312, and see *Howard v. Ives*, 1st Hill 263; *Housatonic Bank v. Laffin*, 5 Cush. 550. We think the latter rule is more applicable to this case, and that, while C was not required to send notice of dishonor until Wednesday, the earliest mail by which the notary under the circumstances could have forwarded his notices on that day was probably too late to charge the drawer.

According to the regular course of business and custom prevailing among bankers the draft should have been protested on Tuesday.

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#### V. OVERDUE COUPONS UNDER FORECLOSURE OF R. R. MORTGAGE.

In reference to the recent reported purchase of the coupons of the Texas Central Railroad, it has been suggested that the purchaser desires to secure a lien upon the road prior to the principal of the first mortgage bonds. If a railroad company consents that other parties buy up their maturing or past due coupons, when the road has fairly earned at least a part of the amount required to pay maturing coupons, is it possible that such coupons can become a prior or an interfering lien to the original bond?

REPLY.—The general rule is that, upon the foreclosure of a railroad mortgage by sale, and a final distribution of the proceeds of the mortgaged property, the holder of a detached coupon is entitled to no priority over the holder of the bond from which it was detached. The bond and coupon are entitled to a *pro rata* distribution. *Ketcham v. Duncan*, 96 U. S. 671; Jones on Railroad Securities, § 327 *et seq.*, and authorities cited. In a peculiar case decided by Judge Blatchford (*Stevens v. The N. Y. and Oswego Midland R. R. Co.*, 13 Blatchford's Reports 417), where a part of the interest on an issue of bonds, due on a certain day, was paid by the railroad company, and a part—viz., the coupons in litigation—were purchased by a party interested to maintain the credit of the company, it was held that the purchased coupons had a priority over the principal of the bonds. That case was decided before *Duncan v. Ketcham*, and by reason of its particular circumstances may be said not to infringe upon the general rule above stated. It may, however, be the authority relied upon for the suggestion referred to by our correspondent. Of course the rights acquired by the purchaser of the coupons in this particular case may be affected by the provisions of the mortgage, and by other circumstances of which we have no knowledge.

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Professor A. S. Bolles' work on PRACTICAL BANKING has proved of such interest to all in the banking business, and especially to those who faithfully aim to gain a practical knowledge of its intrinsic value, that a second edition is now in preparation. Homans Publishing Company supply all requirements.

## BANKING AND FINANCIAL ITEMS.

NEW YORK CHAMBER OF COMMERCE on the Potter Refunding Bill. At the regular monthly meeting in January in the absence of Mr. George S. Coe, Chairman of the Committee on Finance and Currency, Mr. William B. St. John read a report of the Committee on the Potter Refunding Bill, amended as now suggested by Mr. Potter.

The measure is decidedly approved, and it is said of the opportunity of refunding offered by it to bondholders, but not made compulsory upon them, that such of these bondholders as employ money acceptably at three per cent. per annum and higher, may profitably avail of this privilege. This would apply to many of the Savings banks and insurance companies and individual investors, and also to the National banks in general.

For the National banks, this opportunity to capitalize the premium cost of the long date bonds, when purchased, would make these bonds available for note issue at a margin of profit in all sections of the country; that is, in all localities where ordinary rates for money do not exceed eighteen per cent. per annum. As a result of the enactment, therefore, it might reasonably be expected that the National banks would gradually, in time, become possessed of four-per-cent. bonds, or their substitute, two-and-a-half-per-cent. bonds, and these are not redeemable for twenty-two and a-half years. In this respect the proposition is superior to the measure known as the McPherson Bill, which, without further legislation, would not serve to make note issue profitable in localities where current rates for money exceed seven per cent. per annum.

The proposed refunding would employ the estimated surplus revenues of the next two years and longer. Meanwhile the outstanding three-per-cent. bonds will be undisturbed, the contraction of bank note currency, which now takes place at every redemption of three-per-cent. bonds, will cease, and ample time will be afforded for the leisurely replacement of these by purchases which will serve to prevent this contraction altogether for years to come.

Resolutions urging the passage of the bill were offered by Mr. A. D. Juilliard, and adopted, as follows:

*Resolved*, That the Chamber of Commerce of the State of New York views with anxiety the existing doubts and uncertainties as to the extent and effect of the continued contraction of the National bank notes and concurrent disturbance of the National banking system.

*Resolved*, That for the general welfare in all the varied business interests of the country, these doubts and uncertainties ought to be dispelled. And in conformity with the report of its Committee on Finance and Currency,

*Resolved*, That for remedial legislation, this chamber approves and hereby urgently appeals to Congress to promptly enact the measure known as the Potter Refunding Bill, amended as now proposed.

CONNECTICUT.—At a meeting of the Directors of the Clinton National Bank, held on the 21st of January, the following minute was adopted: Mr. John D. Leffingwell, at the annual meeting of the directors, January 13th, having declined a re-election, after over twenty-eight years of active service as president of this bank, on account of the infirmities of age, we, the directors, desire to extend our sincere thanks to him for his long-continued and faithful services. The bank has enjoyed uninterrupted prosperity during his administration, never failing to pay its semi-annual dividend. To express our regard for, and our sympathy with him in his failing health, we, the directors, desire to place on record this testimonial of our appreciation of his services, and instruct the clerk to deliver to him a copy of the same.



**CHARLES H. ROGERS.**—Charles H. Rogers, President of the Traders' National Bank of Philadelphia, died on the last day of the old year, at the age of seventy-three. His great work was in his bank, of which he was president for nearly thirty years. He had entire control of it, and owned nearly every share. He took great interest in young mechanics, manufacturers, and other beginners in life, and would lend money to them on almost no security, and so great was his knowledge of human nature that he used to say that he had never been deceived yet. He was also the real founder of the Clearing-house. He systematized the plan by which the banks should clear up their accounts every morning. He was chairman of the Clearing Committee for twenty-seven years, with the exception of a short time when he was abroad, when the position was occupied by the late Edwin M. Lewis. In early years he was engaged in business as a broker in a small way. He was married when earning but \$1,000 a year. His later years were spent in luxury, and he died a rich man. He was, more than all, a domestic man, and loved to spend his leisure hours in his own fine library, surrounded by rare works of art, of which his house was full. He was a great and careful reader, and one who did not believe that a person's education ever should stop. He therefore kept up with the literature of the day, even until his death. He was very fond of young men, and liked to have them come to him for advice, and many is the beginner in life who has profited by his rare counsel. He is spoken of by his business associates as a very shrewd and a remarkably careful and prudent business man, whose life was above reproach.

**CANADA.**—The Government statement of Canadian banks acting under the Dominion charter on 31st December, 1884, shows considerable contraction in advances made to the public, as compared with the previous year. On Dec. 31, 1883, discounts and public loans stood at \$133,000,000, which in 1884 was reduced to \$122,000,000. An unsatisfactory feature of the bank statement is the insurance of 46 per cent. in overdue debts, which strongly indicates a depressed state of trade. In circulation there was a reduction of \$1,653,000, and in deposits held on account of the Dominion Provincial Governments there was a reduction of 30 per cent. In public deposits there was also a considerable reduction, showing that the savings of the laboring classes, when there was plenty of employment, are now required to meet the expenses of living. In December, 1883, the Canadian banks had \$18,000,000 to their credit in the United States, which amount has since been reduced to \$12,000,000. In amount due Canadian banks in the United Kingdom there is an increase of nearly \$1,000,000. Taken altogether the official bank statement which was issued, and which is regarded as a fair barometer of the state of trade of the country, presents no reassuring feature.

**NEW YORK STOCK EXCHANGE.**—The sales last year were:

	<i>No. of Shares of Stocks.</i>	<i>Governments.</i>	<i>State and R.R. Bonds.</i>
January.....	10,023,535	\$ 1,972,700	\$ 85,707,200
February.....	9,240,523	1,042,200	48,079,700
March.....	6,346,265	1,368,400	59,611,350
April.....	8,862,627	1,365,000	45,516,200
May.....	12,356,230	2,308,300	66,894,100
June.....	9,204,861	1,789,000	43,861,100
July.....	7,372,548	1,159,000	32,677,600
August.....	7,422,079	637,000	34,528,100
September.....	6,047,663	1,078,850	20,516,400
October.....	6,251,241	763,250	24,438,600
November.....	5,359,521	670,000	29,775,200
December.....	6,564,879	731,000	26,230,300
Total.....	95,052,052	\$ 14,879,700	\$ 508,815,800

**SILVER CERTIFICATES.**—It is reported that on the 15th of January a prominent Wall Street bank sold \$500,000 worth of the new silver certificates at a discount of  $\frac{1}{4}$  per cent.

NEW YORK CLEARING-HOUSE.—The following is a comparison of the transactions of the New York Clearing-house for 1883 and 1884:

[Cents are omitted.]

1883.	Exchanges.	Balances.	Transactions.
January.....	\$ 3,308,881,554	\$ 140,830,943	\$ 3,449,712,497
February.....	2,997,628,847	114,853,674	3,112,482,522
March.....	3,094,977,523	125,862,998	3,220,840,521
April.....	3,085,386,584	118,330,469	3,203,717,054
May.....	3,205,040,430	136,871,048	3,341,911,478
June.....	3,012,026,554	133,978,462	3,146,005,017
July.....	2,755,325,665	134,239,112	2,889,564,778
August.....	2,981,202,932	131,240,486	3,112,443,419
September.....	3,041,988,371	126,805,838	3,168,794,210
October.....	3,831,718,815	142,021,910	3,973,740,725
November.....	2,889,875,190	125,918,407	3,015,793,598
December.....	3,230,248,401	133,724,743	3,363,973,144
Total.....	\$ 37,434,300,871	\$ 1,564,678,096	\$ 38,998,978,968
Average per day.	123,139,147	5,146,907	128,286,115
1884.			
January.....	3,382,874,687	146,955,016	3,529,829,703
February.....	2,967,743,941	129,426,797	3,097,170,738
March.....	2,875,155,137	132,067,077	3,007,222,215
April.....	2,902,330,228	139,476,564	3,041,806,792
May.....	3,329,206,122	151,178,397	3,480,384,520
June.....	2,396,714,105	109,778,197	2,506,492,303
July.....	2,179,913,444	119,367,233	2,299,280,678
August.....	2,049,772,735	99,375,056	2,149,147,791
September.....	2,056,484,528	95,641,589	2,152,126,118
October.....	2,370,856,124	126,201,321	2,497,057,446
November.....	2,095,920,286	107,264,089	2,203,184,375
December.....	2,378,899,828	115,130,071	2,494,029,899
Total.....	\$ 30,985,871,170	\$ 1,471,861,414	\$ 32,457,732,583
Average per day.	100,931,176	4,794,336	105,725,514

MONEY IN CIRCULATION.—The Director of the Mint has made the annual statement and estimate of the changes and increase during the year 1884 in the United States gold and silver coin in the country. The coinage, less the recoinage, has been: Gold, \$23,726,852; silver, \$28,119,978. The imports of United States coin have been: Gold, \$4,239,875; silver, \$725,150, a total gain of \$57,461,948. He estimates that \$4,875,000 of United States gold, and \$216,000 of silver coin were melted for use in the manufactures and the arts, and that six million of trade dollars, constituting a part of the silver circulation in previous years, have been entirely withdrawn from circulation. The exports were: Of United States gold coin, \$11,878,154; silver coin, \$522,431. The net gain during the year was: In gold coin, \$11,213,573; silver coin, \$22,106,697. This added to his estimate of the total amount in the country January 1, 1884, makes the circulation on the 1st of January, 1885, \$563,000,000 gold and \$264,000,000 silver, a total of \$827,000,000. A comparison of the corresponding amounts of paper in the United States used as money or as representatives of coin shows at the close of the year an increase in the gold certificates of \$28,599,232; silver certificates, \$28,269,680, and a decrease in bank notes of \$21,324,206; a net increase of over \$35,000,000.

MRS. GREEN.—Mrs. E. H. Green, who has figured much in public of late in connection with the failure of the banking house of John J. Cisco & Son, was long before that event in Wall Street. She is believed to be the richest woman in America, a title earned by her own business sagacity, energy, and watchfulness. Her father, a New Bedford whaler, named Johnson, died some years ago and left her, it is said, about \$5,000,000. She has lived a frugal life, exercised extraordinary keenness in her investments, and by embracing every good opportunity that the stock market afforded, she has more than quintupled her heritage. Old Wall Street operators give Mrs. Green credit for having as intimate a knowledge of railroad securities as any person they know. It is said that she has gotten more than a corner in Reading

stock. She is so largely interested in the Louisville and Nashville securities that it has been frequently said that she practically owns the road. The "richest woman in America" has some strongly marked characteristics. She does business on the strictest business principles, regardless of sentiment or relationship, and she is economical in the most elaborate sense of the word. She seems to have made it a rule of her life to indulge in no personal luxuries. She has been known to walk from her hotel in this city to a social reception through a heavy snowstorm, rather than pay for the use of a coach. It is related that one day, when John Jay Cisco was alive, she got out of a Broadway stage in front of his banking office in Wall Street with a bulky parcel under her arm. Mr. Cisco was looking out of his office window at the time, and a few minutes later, when he found that the bulky parcel contained over \$200,000 in negotiable securities, which Mrs. Green had brought down to place in the vault, he said, "Don't you think it was rather risky for you to have brought these bonds down town in a public stage? You should have taken a carriage." "A carriage, indeed!" said she. "Perhaps you can afford to ride in a carriage. I cannot."

**THE MONEY OF THE WORLD.**—A table accompanying the report of Director Burchard, of the Mint Bureau, shows that the aggregate amount of money in circulation throughout the world, including paper and specie, is \$9,991,964,524, and that of this amount \$8,032,392,762 is in active circulation, the difference between these two series of figures being held in the vaults of banking institutions and national treasuries. France has a larger sum of money in active circulation than any other country. The United States, British India, Great Britain, Germany, Russia, Italy, Austria, Spain, Belgium, Brazil, and the Netherlands following in the order named, more than one-half of the entire amount in active circulation being confined to France, India, the United States and Great Britain. The per capita of active circulation is in France \$42.55; Cuba, \$42.21; Cape of Good Hope, \$38.40; Belgium, \$30.40; Netherlands, \$26.77; United States, \$24.16; Argentine Republic, \$22.50; Great Britain, \$20.49; Italy, \$16.31; Spain, \$14.65; Switzerland, \$14.60; Germany, \$14.23; Brazil, \$12.59; Denmark, \$12; Chili, \$12.45; Canada, \$11.22; Russia, \$5.31; Mexico, \$5.26; India, \$4.05.

This immense sum of money is thus divided: Paper, \$3,943,746,608; gold, \$3,293,606,836; silver, full legal-tender, \$2,300,680,712; silver, limited legal-tender, \$443,930,368, which makes the money of the world stand in the relation of \$6 of specie to \$4 of paper. India lacks but \$100,000,000 of having one-half the entire full silver legal-tender currency of the world. France comes next to India in the possession of silver currency, having \$557,000,000 that are full legal-tender, and \$58,000,000 with a limited legal tender. But while India has no gold currency, France has \$848,000,000, a larger sum in gold than is possessed by any other nation. Great Britain has only \$95,000,000 of silver, the legal-tender quality of the entire amount being limited, while her gold foots up \$583,500,000. The United States has of gold \$650,500,000, silver that is full legal-tender, \$187,000,000, and silver, limited legal-tender, \$75,000,000. Germany has of gold \$334,000,000, legal-tender silver, \$109,500,000, and limited silver, \$102,000,000. Austria has \$45,000,000 gold to \$75,000,000 of silver. The Netherlands has \$28,000,000 gold to \$57,000,000 silver. Belgium has \$64,000,000 gold to \$53,000,000 silver. Spain has \$130,000,000 gold to \$44,000,000 silver.

The proportion of the entire volume of specie and paper money in the world per capita is thus distributed among the leading commercial nations:

	<i>Paper.</i>	<i>Specie.</i>		<i>Paper.</i>	<i>Specie.</i>
United States.....	\$ 17 41	. \$ 19 39	..	Argentine Republic..	\$ 19 94 . \$ 8 15
Great Britain.....	5 61	. 19 25	..	Russia.....	5 31 . 1 26
France.....	14 55	. 38 40	..	Australia.....	9 03 . 25 01
Austria.....	8 69	. 3 35	..	Canada.....	10 15 . 3 07
Germany.....	6 18	. 12 06	..	Brazil.....	11 82 . none.
Belgium.....	12 11	. 11 81	..	Japan..	3 06 . 3 71
Spain.....	4 32	. 22 03	..	British India.....	0 34 . 4 10
Italy..	11 30	. 2 45	..	Mexico.....	0 21 . 5 23
Netherlands.....	14 10	. 20 37			



	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place</i>
IOWA...	First National Bank, Le Mars.	J. W. Myers, <i>V. Pr.</i> ..... M. H. Finney, <i>Cas.</i> .....	F. E. Shaw. J. W. Myers.
"	Security Nat'l B'k, Sioux City..	H. H. Buckwalter, <i>A. C.</i> .....	.....
KAN....	Hutchinson N. B., Hutchinson..	W. E. Burns, <i>Pr.</i> .....	G. W. Hardy.
"	First Nat'l Bank, Oswego.....	C. Abbey, <i>Pr.</i> .....	R. P. Clement.
"	People's Nat'l B'k, Ottawa.....	S. B. Rohsbaugh, <i>V. Pr.</i> .....	.....
KY.....	Ashland Nat'l B'k, Ashland... John Means, <i>Pr.</i> .....	Hugh Means.	
"	Mercer N. B., Harrodsburg.....	P. E. Bell, <i>Ass't Cas.</i> .....	.....
"	National Bank of Hustonville..	J. W. Weatherford, <i>Pr.</i> .....	J. P. Riffe.
"	First Nat'l Bank, Lexington...	John M. Bell, <i>Ass't Cas.</i> .....	E. S. Duncanson.
"	Third Nat'l B'k, Louisville.....	C. H. Wulkop, <i>A. C.</i> .....	.....
MAINE..	First Nat'l Bank, Damariscotta.	Addison Austin, <i>Pr.</i> .....	E. Flye.
"	New Castle N. B., New Castle.	Thos. C. Kennedy, <i>Pr.</i> .....	A. Hall.
MD.....	First Nat'l Bank, Hagerstown..	A. B. Almoney, <i>A. C.</i> .....	.....
MASS...	First National Bank, Amherst..	H. T. Cowles, <i>A. C.</i> .....	.....
"	First Ward Nat'l B'k, Boston..	Stephen H. Whidden, <i>Pr.</i> .....	S. H. Whidden, <i>A.</i>
"	Lincoln National B'k, Boston..	Nathaniel J. Rust, <i>V. P.</i> .....	.....
"	Nat'l B'k of Commerce, Boston.	R. P. Hallowell, <i>V. Pr.</i> .....	W. B. Storer.
"	Nat'l Webster B'k, Boston.....	Francis A. Peters, <i>Pr.</i> .....	F. Jaques.*
"	Lancaster National Bank, Clinton.	W. H. McNeil, <i>Pr.</i> ..... H. C. Forrester, <i>Cas.</i> .....	W. H. McNeil.
"	Dedham National Bank, Dedham.	I. H. Kingsbury, <i>Pr.</i> ..... Edwin A. Brooks, <i>Cas.</i> .....	E. W. Taft. L. H. Kingsbury.
"	First Nat'l B'k, Fall River.....	D. A. Brayton, Jr., <i>V. P.</i> .....	.....
"	Second Nat'l B'k, Fall River...	Wm. B. Lovell, <i>Ass't C.</i> .....	.....
"	First Nat'l Bank, Marlboro...	Wm. H. Fay, <i>Pr.</i> .....	S. Boyd.
"	Pacific Nat'l B'k, Nantucket...	Chas. H. Coffin, <i>Cas.</i> .....	Wm. H. Chadwick.
"	Berkshire N. B., North Adams.	Arthur D. Cady, <i>Cas.</i> .....	C. H. Ingalls.
"	First National Bank, Salem ..	Wm. G. Webber, <i>Pr.</i> .....	J. Davis.
MICH..	Cold Water National Bank, Cold Water.	Geo. Starr, <i>Pr.</i> ..... L. A. Jackson, <i>Ass't Cas.</i> .....	H. C. Lewis. .....
"	Hastings National Bank, Hastings.	W. D. Hayes, <i>Cas.</i> ..... W. J. Bowne, <i>Ass't Cas.</i> .....	G. E. Goodyear. W. D. Hayes.
"	First Nat'l B'k, Kalamazoo....	R. S. Babcock, <i>Pr.</i> .....	E. O. Humphrey.
"	Lowell Nat'l Bank, Lowell.....	Martin N. Hine, <i>Pr.</i> .....	C. T. Wooding.
"	First National Bank, Mason....	T. Densmore, <i>Pr.</i> .....	H. P. Henderson, <i>A.</i>
"	Citizens' Nat'l Bank, Niles... {	F. M. Gray, <i>Pr.</i> ..... G. W. Platt, <i>V. Pr.</i> .....	J. C. Larimore. .....
"	First National Bank, Owasso.	Ed. F. Woodcock, <i>Cas.</i> ..... A. T. Nichols, <i>Pr.</i> .....	F. M. Gray. T. D. Dewey.
"	First Nat'l Bank, St. Johns...	T. D. Dewey, <i>V. P.</i> .....	M. Osburn.
"	First Nat'l Bank, Whitehall...	P. E. Walsworth, <i>A. C.</i> .....	.....
"	First Nat'l Bank, Whitehall...	John C. Lewis, <i>V. P.</i> .....	H. E. Staples.
MINN...	First National Bank, Morris.	Geo. M. Fish, Jr., <i>Pr.</i> ..... H. C. Judson, <i>Cas.</i> .....	D. R. Sutherland. C. W. Rohne.
"	Farmers' Nat'l B'k, Owatonna..	C. F. Backus, <i>Ass't Cas.</i> .....	Geo. L. Gutterson.
"	Nat'l Ger.-Amer. B'k, St. Paul.	Theo. Draz, <i>Ass't Cas.</i> .....	.....
"	Rochester Nat'l B'k, Rochester.	N. C. Youngflore, <i>V. Pr.</i> .....	J. T. LaDu.
"	First Nat'l Bank, Wabasha....	L. Whitmore, <i>Cas.</i> .....	Bruce Florer.
MO.....	First Nat'l Bank, Kirksville....	S. M. Link, <i>Pr.</i> .....	J. Caskey.
"	First National Bank, Macon....	John H. Babcock, <i>Pr.</i> .....	W. Logan.
"	Wood & Huston Bank, Marshall.	Will. H. Wood, <i>Pr.</i> ..... J. P. Huston, <i>Cas.</i> .....	Jos. Huston. Will H. Wood.
"	First Nat'l Bank, Mexico.....	T. Buckner, <i>Ass't Cas.</i> .....	.....
"	Fourth Nat'l Bank, St. Louis..	Louis J. Holthaus, <i>V. Pr.</i> .....	A. Hussman.
"	Third Nat'l Bank, St. Louis....	Jas. M. Franciscus, <i>V. P.</i> .....	O. B. Filley.
"	First National Bank, Springfield.	J. R. Vaughan, <i>V. Pr.</i> ..... A. J. Clement, <i>Ass't Cas.</i> .....	L. Holland. .....
NEB....	First National Bank, Wilber..	Jno. L. Tidball, <i>Pr.</i> ..... J. R. Clark, <i>V. Pr.</i> .....	O. H. Patch. D. E. Thompson.
N. J....	First Nat'l Bank, Clinton.....	John R. Kline, <i>V. Pr.</i> .....	.....
"	Orange National Bank, Orange.	T. J. Smith, <i>Pr.</i> ..... J. W. Smith, <i>Cas.</i> .....	C. A. Lighthipe. T. J. Smith.
N. Y....	First National Bank, Albany...	Jas. C. Cook, <i>Cas.</i> .....	L. Cogswell.
"	National City Bank, Brooklyn.	D. B. Powell, <i>Pr.</i> ..... Chas. T. Young, <i>Cas.</i> .....	J. J. Studwell.* A. A. Rowe.

\* Deceased.

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y.	Briggs' National Bank, Clyde..	W. A. Hunt, <i>Ass't Cas.</i> ...	.....
"	First Nat'l Bank, Dansville....	L. Kuhn, <i>Cas.</i> .....	J. Faulkner, Jr.
"	First Nat'l B'k, Greenport....	G. H. Corwin, <i>Pr.</i> .....	D. G. Floyd.
"	National Bank of Le Roy, Le Roy.	G. C. Adams, <i>V. Pr.</i> .....	.....
"	National Bank of Malone.....	E. B. Harris, <i>Cas.</i> .....	G. C. Adams.
"	Pulaski Nat'l Bank, Pulaski....	M. P. Lampson, <i>V. Pr.</i> .....	.....
"	First Nat'l Bank, Rhinebeck....	W. C. Dorman, <i>Ass't C.</i> .....	.....
"	National Bank of Rondout.....	Leslie C. Wead, <i>Pr.</i> .....	S. Lawrence.
"	First National Bank, Saugerties.	Sherman Clark, <i>V. Pr.</i> .....	.....
"	United National Bank, Troy.	Geo. Esselstyn, <i>V. Pr.</i> .....	R. Kelly.
"	First Nat'l Bank, Watkins.....	John B. Alliger, <i>Cas.</i> .....	E. B. Newkirk.
"	Nat'l Bank of Westfield.....	R. A. Snyder, <i>Pr.</i> .....	J. Kiersted.*
N. C.	Merch. & Farm. N.B., Charlotte.	Christopher Tiero, <i>V. Pr.</i> .....	J. W. Davis.
OHIO.	First Nat'l Bank, Barnsville....	J. W. Fuller, <i>Pr.</i> .....	E. T. Gale.
"	First Nat'l Bank, Batavia.....	Wm. A. Thompson, <i>V.P.</i> .....	J. W. Fuller.
"	Second National Bank, Cincinnati.	John Knight, <i>V. Pr.</i> .....	.....
"	Third Nat'l Bank, Circleville....	F. W. Crandall, <i>Ass't C.</i> .....	.....
"	Cleveland N. B., Cleveland....	H. G. Springs, <i>V. Pr.</i> .....	J. H. Wilson.
"	Mercantile National Bank, Cleveland.	Asa Garretson, <i>Pr.</i> .....	F. Davis.
"	Nat'l B'k of Com., Cleveland....	F. I. Rondebush, <i>V. Pr.</i> .....	.....
"	First Nat'l Bank, Kenton.....	Chas. Davis, <i>Pr.</i> .....	B. Eggleston.
"	Portsmouth N. B., Portsmouth.	B. F. Davis, <i>V. Pr.</i> .....	J. B. Wilson.
"	Third Nat'l Bank, Sandusky....	W. J. Weaver, <i>Pr.</i> .....	C. Benford.
"	Trumbull Nat'l Bank, Warren....	F. A. Mehling, <i>Ass't Cas.</i> .....	.....
"	First Nat'l Bank, Wilmington.	T. P. Handy, <i>Pr.</i> .....	Chas. C. Baldwin.
PENN.	Bradford N. B., Bradford.....	E. R. Perkins, <i>V. Pr.</i> .....	.....
"	First National Bank, Canton....	F. E. Rittman, <i>Ass't Cas.</i> .....	T. S. Sanford.
"	Dillsburg Nat'l B'k, Dillsburg..	Willis E. Scott, <i>Ass't C.</i> .....	J. C. Howe.
"	First National Bank, Du Bois....	S. Reed, <i>V. Pr.</i> .....	.....
"	First National Bank, Easton....	Geo. J. Anderson, <i>V. Pr.</i> .....	P. G. Walker.
"	Second National Bank, Erie....	G. O. Griswold, <i>Pr.</i> .....	H. Austin.
"	Merch. & Farmers' N. B'k, Greensburg.	T. Q. March, <i>Ass't Cas.</i> .....	.....
"	National Bank of Kittanning....	C. A. Mitchell, <i>Ass't Cas.</i> .....	J. M. Fink.
"	First National Bank, Montrose..	Daniel Innes, <i>Pr.</i> .....	A. Innes.
"	First National Bank, Mt. Pleasant.	Lewis Strayer, <i>V. Pr.</i> .....	H. Bowman.
"	Fourth Nat'l Bank, Pittsburgh..	P. S. Weber, <i>Ass't Cas.</i> .....	.....
"	City Nat'l Bank, Susquehanna..	E. F. Stewart, <i>Pr.</i> .....	M. Foreman.*
"	Citizens' Nat'l Bank, Warren....	W. M. Wallace, <i>A. C.</i> .....	.....
"	First Nat'l Bank, Westchester..	D. W. Shryock, <i>Pr.</i> .....	L. Tranger.
R. I.	Pascoag Nat'l Bank, Pascoag....	J. C. Crownover, <i>Cas.</i> .....	D. W. Shryock.
"	Phenix Nat'l Bank, Phenix.....	J. M. Painter, <i>Ass't Cas.</i> .....	G. W. Doverspike.
"	Nat'l Niantic Bank, Westerly....	G. B. Eldred, <i>Pr.</i> .....	G. V. Bentley.
TENN.	Third National Bank, Chattanooga.	D. R. Lathrop, <i>Cas.</i> .....	G. B. Eldred.
"	First National Bank, Fayetteville.	Geo. W. Stoner, <i>A. C.</i> .....	J. C. Crownover.
"	Stones' Riv. N.B., Murfreesboro..	Jas. M. Bailey, <i>V. Pr.</i> .....	J. M. Horner.
"	People's Nat'l Bank, Pulaski....	J. Schlager, <i>V. Pr.</i> .....	C. Schlager.
TEX.	First National Bank, Brownwood.	M. Pandee, <i>Ass't Cas.</i> .....	.....
"	Exchange Nat'l Bank, Denton....	Alfred P. Reid, <i>V. Pr.</i> .....	.....
VT.	National Bank of Barre.....	J. O. Inman, <i>Pr.</i> .....	J. T. Fiske.
"	Howard Nat'l B'k, Burlington..	Edwin W. Potter, <i>Pr.</i> .....	W. C. Ames.
"	Merchants' National Bank, Burlington.	J. M. Pendleton, <i>Pr.</i> .....	H. N. Campbell.
"	First National Bank, Chattanooga.	John A. Hart, <i>Pr.</i> .....	D. E. Rees.
"	First National Bank, Fayetteville.	D. E. Rees, <i>V. Pr.</i> .....	J. P. Smartt.
"	Stones' Riv. N.B., Murfreesboro..	C. B. McGuire, <i>Pr.</i> .....	J. G. Woods.
"	People's Nat'l Bank, Pulaski....	G. W. Morgan, <i>Pr.</i> .....	C. B. McGuire.
"	First National Bank, Brownwood.	Wm. Mitchell, <i>Pr.</i> .....	W. H. Doughty.
"	Exchange Nat'l Bank, Denton....	J. P. May, <i>Pr.</i> .....	J. G. Ballentine.
"	Merchants' National Bank, Burlington.	D. H. Kent, <i>Pr.</i> .....	J. L. Vaughn.
"	First National Bank, Brownwood.	A. D. Moss, <i>Ass't Cas.</i> .....	.....
"	Exchange Nat'l Bank, Denton....	John Bain, <i>Ass't Cas.</i> .....	.....
"	Red River N. B., Gainesville....	L. B. Smith, <i>Ass't Cas.</i> .....	.....
"	National Bank of Barre.....	C. M. Spencer, <i>Cas.</i> .....	F. L. Eaton.
"	Howard Nat'l B'k, Burlington..	T. C. Pease, <i>Ass't Cas.</i> .....	M. H. Finney.
"	Merchants' National Bank, Burlington.	Chas. W. Woodhouse, <i>P. E.</i> .....	Lyman.
"	First National Bank, Brownwood.	L. E. Woodhouse, <i>Cas.</i> .....	C. W. Woodhouse.

\* Deceased.

	<i>Bank and place.</i>	<i>Elected.</i>	<i>In place of</i>
VT.....	First National Bank, Chelsea. }	Aaron N. King, <i>Pr.</i> .....	J. B. Bacon.
" ..	Killington Nat'l B'k, Rutland..	John B. Bacon, <i>V. Pr.</i> ....	A. N. King.
" ..	Merchants' National Bank, St. Johnsbury. }	E. P. Gibson, <i>V. Pr.</i> .....	F. Fletcher.
" ..	Passumpsic S. B., St. Johnsbury.	W. E. Peck, <i>Pr.</i> .....	F. Fletcher.
" ..	First Nat'l Bank, Springfield...	H. E. Folsom, <i>V. Pr.</i> ....	E. D. Blodgett.
" ..	Farmers' Nat'l B'k, Vergennes.	E. Hall, <i>Pr.</i> .....	C. D. Richardson, <i>A. C.</i> .....
VA.....	Lynchburg N. B., Lynchburg..	S. W. Hinds, <i>Ass't Cas.</i> .....	J. W. Carroll, <i>Pr.</i> .....
W. VA..	Second Nat'l B'k, Morgantown.	Wm. K. Hoffman, <i>A. C.</i> .....	D. E. Spence.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(*Monthly List, continued from January No., page 552.*)

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
CAL....	San Lu. Obispo.	Jack Goldtree & Co.....	.....
DAK....	Diana.....	Bank of Diana.....	.....
		W. G. Williams, <i>Pr.</i>	E. H. May, <i>Cas.</i>
ILL....	Dixon.....	City National Bank.....	.....
	\$100,000	Jos. Crawford, <i>Pr.</i>	Sam'l C. Eells, <i>Cas.</i>
" ..	Knoxville.....	Farmers' National Bank.....	.....
	\$60,000	F. G. Sanburn, <i>Pr.</i>	O. G. Smith, <i>Cas.</i>
" ..	Peoria.....	Commercial Nat'l Bank.....	.....
	\$200,000	E. Callender, <i>Pr.</i>	Henry P. Ayres, <i>Cas.</i>
IND....	Evansville.....	The Old Nat'l Bank.....	National Park Bank.
	\$200,000	Samuel Bayard, <i>Pr.</i>	Henry Reis, <i>Cas.</i>
" ..	Fort Wayne....	The Old Nat'l Bank.....	Third National Bank.
	\$350,000	Stephen B. Bond, <i>Pr.</i>	J. D. Bond, <i>Cas.</i>
IOWA..	Brooklyn.....	First National Bank.....	.....
	\$50,000	T. J. Holmes, <i>Pr.</i>	B. M. Talbott, <i>Cas.</i>
" ..	Morrison.....	Bank of Morrison.....	Gilman, Son & Co.
KY....	Winchester....	Winchester Nat'l Bank...	.....
	\$200,000	W. H. Witherspoon, <i>Pr.</i>	J. P. Powers, <i>Cas.</i>
MICH..	Grand Rapids .	National City Bank.....	.....
	\$500,000	Thos. D. Gilbert, <i>Pr.</i>	J. F. Baars, <i>Cas.</i>
MINN..	Hancock.....	Bank of Hancock.....	Chatham National Bank.
		W. A. Foland, <i>Pr.</i>	A. Gunderson, <i>Cas.</i>
" ..	Minneapolis....	Commercial Bank.....	.....
		W. Young, <i>Pr.</i>	H. P. Brown, <i>Cas.</i>
MO....	Hermitage....	Farm. & Drovers' B'k....	.....
NEB....	Coleridge....	Bank of Coleridge.....	.....
" ..	Plum Creek....	First National Bank.....	.....
	\$50,000	H. R. Temple, <i>Pr.</i>	H. V. Temple, <i>Cas.</i>
N. Y....	Albany.....	Nat'l Exchange Bank....	American Exch. National Bank,
	\$500,000	C. P. Williams, <i>Pr.</i>	Jonas H. Brooks, <i>Cas.</i>
" ..	Le Roy.....	National B'k of Le Roy... Imp. & Traders' National Bank.	
	\$100,000	Wm. Lampson, <i>Pr.</i>	Butler Ward, <i>Cas.</i>
OHIO..	Ripley.....	Citizens' National Bank..	Central National Bank.
	\$100,000	J. M. Gilliland, <i>Pr.</i>	E. R. Bell, <i>Cas.</i>
PENN..	North East....	W. A. Ensign & Sons....	.....
TENN..	Centreville....	First National Bank.....	.....
	\$50,000	H. Clagett, <i>Pr.</i>	John T. Walker, <i>Cas.</i>
TEX....	Baird.....	First National Bank.....	Hanover National Bank.
	\$50,000	F. W. James, <i>Pr.</i>	A. G. Wells, <i>Cas.</i>
" ..	Belton.....	Belton National Bank....	.....
	\$50,000	J. Z. Miller, Sr., <i>Pr.</i>	J. Z. Miller, Jr., <i>Cas.</i>

## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from January No., page 553.)*

ARK....	Bentonville....	S. D. McReynolds; assigned.
CAL....	Haywards.....	Bank of Haywards; discontinued business.
COL....	Greeley .....	Emerson & West; now Hunter & West.
DAK....	Yankton.....	McKenney & Scougal; dissolved.
GA.....	Augusta .....	The Bank of Augusta; assigned.
ILL....	Dixon .....	Lee Co. National Bank; succeeded by First National Bank.
" ..	Chicago .....	Gerhard Foreman; now H. G. Foreman & Bros.
" ..	Peoria.....	Callender, Ayres & Co.; now Commercial National Bank.
" ..	Wyoming.....	First Nat'l Bank; went into voluntary liquidation Jan. 13.
IND ....	Evansville.....	Evansville National Bank; now Old National Bank.
" ..	" ..	Merchants' Nat'l Bank; will be succeeded by Banking House of Bement, Gilbert & Co.
" ..	Fort Wayne....	Fort Wayne Nat'l Bank; succeeded by The Old Nat'l Bank.
" ..	Muncie.....	Muncie Nat'l B'k; went into voluntary liquidation Jan. 28.
" ..	Kokomo.....	First National Bank; has gone into voluntary liquidation.
KAN....	Armourdale....	Bank of Armourdale; discontinued business.
" ..	Lincoln.....	Bank of Lincoln Co. (J. P. Cummins & Co.); now Head, Lutes & Jenkin, proprietors.
" ..	Newton.....	Harvey Co. Bank; suspended.
" ..	Harper.....	Ellis & Bourne; succeeded by Ellis & Bourne Banking Co.
" ..	Sabetha.....	First Nat'l Bank; has gone into voluntary liquidation.
MASS...	Boston.....	Evans & Doane; now Irving A. Evans & Co.
" ..	Fall River....	G. M. Haffards; now G. M. Haffards & Co.
MICH...	Grand Rapids..	City National Bank; now National City Bank.
" ..	Jackson.....	Jackson Interest & Deposit Bank; suspended.
MINN...	Wadena.....	Bank of Wadena; assigned to A. Murray.
MO.....	Eldorado Spgs..	Cruce Bros.; succeeded by The Cruce Banking Co.
" ..	Lamar.....	M. N. Wills & Co.; now M. N. Wills.
" ..	Missouri City..	Missouri City Savings Bank; failed Jan. 15.
NEB ....	Plum Creek....	Dawson Co. Bank; now First National Bank.
NEV....	Eureka.....	White Pine Co. Bank; suspended Dec. 31.
N. MEX.	Silver City....	Silver City Bank; will discontinue business February 15.
N. Y....	Buffalo.....	Shuttleworth & Newell; now H. J. Shuttleworth.
OHIO...	Hudson.....	D. D. Beebe; assigned January 28.
" ..	Orrville.....	Brenneman & Horst; succeeded by the Farmers' Bank.
" ..	Troy.....	Miami Co. Bank; sold out to Haywood, Boyce & Co.
PENN...	Jamestown....	Jamestown Savings Bank; suspended Jan. 20.
" ..	Lancaster....	Amos S. Henderson; failed.
" ..	Tarentum.....	First National Bank; has gone into voluntary liquidation.
TEX....	Belton.....	Miller Bros.; succeeded by The Belton National Bank.
" ..	Galveston....	Island City Savings Bank; suspended January 26.
VT.....	Rutland.....	Nat'l Bank of Rutland; has gone into voluntary liquidation.
" ..	Manchester ....	Battenkill National Bank; closing up business.

The Banker's Almanac and Register for 1885 is now ready. The new volume contains, besides its usual matter, a list of United States Pension Agents. The list of **Foreign** banks and bankers is very full and complete. The South American, Mexican and West India list will be found to be of marked value. Price \$3.00 per copy, or \$5.00 in advance for the January and July editions, with Monthly List of changes.



## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

*(Continued from January No., page 554.)*

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3281	Old National Bank..... Evansville, IND.	Samuel Bayard,	Henry Reis,	\$ 200,000
3282	National Exchange Bank..... Albany, N. Y.	Chauncey P. Williams,	Jonas H. Brooks,	500,000
3283	National Bank of Le Roy..... Le Roy, N. Y.	Wm. Lampson,	Butler Ward,	100,000
3284	First National Bank..... Brooklyn, IOWA.	T. J. Holmes,	B. M. Talbott,	50,000
3285	Old National Bank..... Fort Wayne, IND.	Stephen B. Bond,	Jared D. Bond,	350,000
3286	First National Bank..... Baird, Tex.	F. W. James,	A. G. Wills,	50,000
3287	Farmers' National Bank..... Knoxville, ILL.	F. G. Sanburn,	O. G. Smith,	60,000
3288	First National Bank..... Centreville, TENN.	H. Clagett,	John T. Walker,	50,000
3289	City National Bank..... Austin, TEX.	A. P. Wooldridge,	M. C. Miller,	100,000
3290	Winchester National Bank.... Winchester, KY.	W. H. Witherspoon,	J. P. Powers,	200,000
3291	Citizens' National Bank..... Ripley, OHIO.	J. M. Gilliland,	E. R. Bell,	100,000
3292	First National Bank..... Plum Creek, NEB.	H. R. Temple,	H. V. Temple,	50,000
3293	National City Bank..... Grand Rapids, MICH.	Thos. D. Gilbert,	J. Frederick Baars,	500,000
3294	City National Bank..... Dixon, ILL.	Jos. Crawford,	Sam'l C. Eells,	100,000
3295	Belton National Bank..... Belton, TEX.	J. Z. Miller, Sr.,	J. Z. Miller, Jr.,	50,000
3296	Commercial National Bank..... Peoria, ILL.	E. Callender,	Henry P. Ayres,	200,000

A FAMOUS BANKRUPTCY CASE.—A noted case of bankruptcy was disposed of in the United States District Court at Pittsburgh, on the third of January. The case had been dragging along for eight years, and more than a million dollars was involved. It was that of William M. Lloyd, formerly of Altoona, but for a year or more past a resident of Jamestown, Dakota. Prior to 1873 he was extensively engaged as a banker, and had banks or was interested in such institutions at Altoona, New York City, Tyrone, Ebensburg, Latrobe and Irwin's, in Pennsylvania, and at East Liverpool, O. All these banks suspended on the 31st of October, 1873. Afterwards Mr. Lloyd obtained an extension from his creditors for one, two, three and four years, and resumed business at all the banks except at Irwin's. These banks were carried on until the middle of August, 1875, when they all suspended at the same time and did not resume. On the eighteenth of the following September Lloyd made a voluntary assignment under the State laws. Lloyd is now discharged from bankruptcy, he having conformed to the requirements of the law.

FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, JANUARY, 1885.

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of January has fulfilled the December promise of an improvement both in the volume of business transacted and in the prices obtained for the leading staples of commerce. Raw material has turned the corner of hard times, but manufactured goods hang fire, for they never move so quickly as the former, although the exchanges throughout the country have shown no increase, but rather the opposite, as compared with those of a year ago. The advance indicated in our review last month has been realized in most if not all the speculative markets, including even in the poor old half-blind and maimed stock market, which really did go up without a derrick and steam-hoist to lift it. The shorts became alarmed at the strength in other markets, and especially at the growing confidence in speculation on the bull side, and they "covered" their shorts and concluded to await developments rather than risk being caught up again in another such speculative boom as followed the depression of 1877. There was no occasion to fear that, as the conditions were not the same. Yet prices are so low for all real *bona-fide* property that no one should be short of any when the distrust that sent them too low shall begin to disappear. The sensitiveness of all markets to bull influences is due to this fact, and hence the noticeable change within a month past, in all except "fancy," or more correctly, worthless stocks, which go up more easily than they come down. This is in striking contrast to the reverse condition of markets for two years past, when they would not stay up only when the pump was kept working. Indeed the "water"-logged crafts that were kept afloat by the pumps in Wall Street could not be bailed out by all the pumps of the stock exchange and the banks combined. That all those conditions which culminated in the panic last summer are gone, is clearly evident, nor will they return. The whole country is now in a sound and healthy situation. People have sold their outside loads and paid off their debts, or put them where they will not occasion trouble, and have got their remaining business in snug shape where they can handle it even if it be smaller than it was. There will be no kite-flying and no booming. Speculation has cost those so dearly who abandoned legitimate business to gamble, that it will be a good many days before anybody will turn their pockets inside out to put up margins. The risking of all one had to get out of desperate straits was a common thing last year. Now people are going slowly, creeping where they formerly ran. Of course this diminishes the volume of business compared with a year ago, and will continue to diminish it for a year to come at least. Hence the exchanges of the country will continue to show a loss as compared with last year, long after legitimate business has revived, and probably until it is sufficiently restored to give people a surplus of profit outside of regular business to dabble in speculation again. For this reason the exchanges of the country will be as deceptive as is the stock market to those who watch either as a barometer to indicate the revival of business.

Another reason why our bank clearances are wholly deceptive as a gauge of business in comparison with other years, is the fact, that prices of most

articles and of most securities are from one-third to one-half less than a year ago, which would make the clearances on an equal amount of business from one-third to one-half less also. Measured by this standard the month of January would show a marked improvement over last year, could the speculative exchanges be separated from the rest.

But there is an index that is not deceptive, and it has recorded more genuine and general improvement during the past month than has been seen in two or three years, or, in fact, since the short crop year of 1881 precipitated the liquidation of the wild speculation of preceding years. That index is the general resumption of the iron trade throughout the country, east, west, north and south, over fifty large iron working manufacturing having started up during the month, after weeks or months of idleness, with a larger force of men than they have employed for two years past. There is also another unmistakable barometer. With all the complaints of hard times and idle men, the number of unemployed, destitute and suffering people in the country is very much smaller than in the deepest of the last depression, culminating in the riots of 1877. Probably there is less idleness and suffering than a year ago, yet people have taken the reduction of wages, which has been so general this winter, as a synonym of suffering on one hand, and as an indication of lack of employment on the other. Were this not so, the public have reasoned, men would not accept the reductions, and employers would be unable to enforce them. But people fail to recognize the commercial, manufacturing, industrial and financial revolution the country has been undergoing the past few years. The cost of production of everything has been so reduced during the last ten years, the world over, by the universal introduction of labor-saving machinery, that the cost of living has been reduced in almost equal proportion.

Over-production has resulted in forced sales of the surplus at even less than cost, and has still further reduced the cost of living until wages have come down, and the cost of production has been still further reduced. Hence, the acceptance of lower wages does not indicate hardship or suffering, or lack of employment. But, on the contrary, it increases demand for labor by enabling our manufacturers to make goods at prices that once would have ruined them. Thus, this very reduction in wages is the best thing in present conditions that could happen, while labor has just as much purchasing power as it had when getting high wages and paying high prices for living. Never was bread so cheap, nor clothing nor manufactured goods. Rents and meats are still too high and must go lower, as capital has accepted a reduction in its profits, and three per cent. is now as good interest as six per cent. was when wages were double. Manufacturers are also willing to accept a small profit on their goods now, when they once wanted ten and even twenty per cent. dividends. Old rates of interest and dividends and wages are all things of the past, and of a period of inflation, induced by the artificial conditions of war, protection, and speculation that followed both. The world has entered an era of lower prices than was ever before seen. It is the inevitable result of the universal use of labor-saving machines. This was the very object of such machinery. Hence, these low prices in the future must be permanent, except when production is temporarily interfered with by war, plague, or bad crops. Nothing that could so much injure every interest in the United States to-day as another period of inflation and high prices.

Our manufacturers would suffer more than any other class, because they are now reaching a point where they can compete with the manufacturers of Europe in the markets of the world, thus opening those to us, as well as keeping our home markets. For, if we can compete successfully in foreign markets, we can, of course, undersell Europe in our own markets. This is due to the fact that this country is the base of raw materials and food supplies for Europe, and the price there is made here with freight, commissions, transfers and insurance added, while the same charges on the manufactured goods back to this country are of themselves protection that will protect our manufactures, no matter what our tariff is, so soon as we get the cost of production down to a normal basis, which we have now reached in our most important manufactures. When this comes we will become the great manufacturing country of the world. This is where the present hard times are bringing us, and they will prove a blessing in disguise to this country. The iron manufacturers now admit that, had they not been so short-sighted in 1878-79, they would not have been idle the past two years. They ran up the price of iron so high then that Europe dumped all her surplus on us just at the time when the enormous profit in iron manufacture here attracted capital into the business until our production was double our consumption. Then came the reaction, and the enormous quantities of foreign iron here had to be held through all this depression coming on the market at whatever it would bring in competition with home manufacture, until now, it has been mostly worked off, and our manufacturers have our markets to themselves again for the first time since 1879. Had they not ran up the price of iron in 1879, thus attracting a large quantity of foreign iron, they might have supplied all that has been imported from Europe. This mistake will not be repeated on the next boom, but our markets will be kept to ourselves, and the temptation not offered to everybody to go into the iron business.

The trunk line pool has gone to pieces, by the action of the Pennsylvania, which is supposed to have finally abandoned it as a failure, followed by Vanderbilt, who declared it such, and that it had been maintained at the expense of the two strongest systems which it had been created to protect from the weak or bankrupt roads having no dividends to earn. The survival of the fittest is now to be relied upon by these two systems to maintain their position. While the pool has been abandoned by these great roads, the coal roads have resorted to their old and false god, combination, to save them from the wrath to come—namely, bankruptcy. They are between the upper millstone of over-production and lower prices and the nether one of curtailed output and deficit in their tonnage and fixed charges. They have taken the latter choice, which crippled them and the trade in 1877. If they would let down the price they would increase consumption, and enable many manufacturers to start up who cannot now, and make better tonnage for their roads. The war on passenger rates, as well as freights, has continued between the trunk lines, notwithstanding the meetings held to "restore harmony." The only harmony is in cutting by all lines to the lowest rates by any. This is true of everything and every road, except the Pennsylvania on passenger rates, which it still maintains except on emigrants, which were cut to \$1 from New York to Chicago early in the month. As for peace and restoration of rates, there can be none until there is more business.

The produce markets, which had begun to move up in December, as noted

in our last, in anticipation of a January rise, advanced sharply for the first half of the month on a good shipping as well as speculative demand, both for the long and the short account. This lasted till about the middle of the month, when the conservative operators thought the advance had been too fast and too much of a speculative character to hold without a reaction, and they sold out on the public, who lugged the load until they found they had no Moses to lead them into the land of promised higher prices, and they began selling out, the big operators helping them, in order to get prices back, where it would be safe to buy again. This point has been reached in most of these staples, in the opinion of the best informed, who have been buying of late whenever the markets were weak, and are preparing for a still further advance than we have yet had. This is more especially the case with wheat and cotton, which has many and strong friends, while corn and provisions are looked upon as good values until Spring, when larger supplies are anticipated, and lower prices between now and another crop. On the other hand, higher prices for cotton and wheat are looked for before another crop, although there are a good many good operators who think both will go lower before they will go higher. The oat market goes with corn, yet the stocks and movement are disappointing, in view of the largest crop ever raised.

The coffee market has shown more speculative animation and strength also, on shorter crop estimates from Rio and lighter receipts there. The bulls have the advantage as yet, although the trade seems well stocked or indifferent, and hold back as they did last year till the bull clique dropped their load and then took in a large stock at low figures. The prevailing opinion now is the same as in cotton, that the last crop will prove really short as the bulls have predicted, although the European coffee markets have shown more disposition to realize.

Tea has breathed the breath of life again speculatively, and advanced early in the month, with some activity based on prospect of a protracted war between China and France. But as the month wore on, and both beligerents seemed more inclined to stand off at safe distance and make faces at each other than to fight, speculation relapsed into the comatose state it has preserved since the collapse of the first, last and only speculation in tea on the new exchange. Sugar has also had one or two spasmodic exhibitions of signs of life, based on the low prices, the talk of a new treaty with Cuba, and the general renewal of confidence and speculative activity in other staples. But the New York refiners, who have more to do with making the sugar market of the world than anybody else, discouraged the movement, which was either premature or made to appear so till these refiners have their stock laid in and are ready for a rise.

The tobacco and naval store trades have been neglected but the small changes and activity there have been in favor of the bulls. Petroleum has been a comparatively dead cock in the speculative pit, and has refused to fly up or jump down far from the perch at 70 cents above and below which it has vacillated like a pendulum within a range of about 2 @ 3 cents either way. There have been several good new wells opened, while the Standard Company have not cared to bull the market, but appeared rather as buyers on weak spots. This dragging, uncertain kind of a market has tired out all the smaller bulls with carrying charges, and they have sold out. The market

would therefore seem to be well under control in the hands of strong parties, and when Wall Street gets short enough the Standard Company is quite likely to twist it.

The iron market has not improved much in price, though more is doing, as well as in steel rails at steadier quotations. This month promises still greater improvement in general business than January.

The reports of the New York Clearing-house returns compare as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation	Surplus.
Jan. 3...	\$ 297,887,700 .	\$ 87,867,800 .	\$ 37,356,900 .	\$ 340,816,300 .	\$ 11,398,800 .	\$ 40,020,625
" 10...	296,153,600 .	95,177,000 .	39,779,200 .	349,247,300 .	11,262,600 .	47,644,375
" 17...	295,337,800 .	98,485,600 .	41,094,700 .	353,726,100 .	11,311,600 .	51,148,775
" 24...	294,317,000 .	99,909,300 .	40,141,200 .	351,749,900 .	11,275,000 .	52,113,025
" 31...	293,745,700 .	101,732,000 .	40,224,800 .	352,343,300 .	11,285,300 .	53,870,975

The Boston bank statement is as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Jan. 3.....	\$ 145,724,800 ....	\$ 7,847,600 ....	\$ 6,423,200 ....	\$ 100,659,600 ....	\$ 23,271,600
" 10.....	146,288,900 ....	8,022,300 ....	6,457,500 ....	101,251,500 ....	23,163,300
" 17.....	146,863,800 ....	8,234,700 ....	6,499,600 ....	102,896,900 ....	23,095,500
" 24.....	146,818,000 ....	8,515,200 ....	6,204,200 ....	101,295,200 ....	23,051,200

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1885.	Loans.	Reserves.	Deposits.	Circulation.
Jan. 3.....	\$ 72,927,921 ....	\$ 24,723,819 ....	\$ 73,581,005 ....	\$ 7,842,835
" 10.....	73,013,654 ....	26,225,804 ....	73,715,331 ....	7,834,993
" 17.....	72,546,288 ....	26,539,294 ....	73,514,862 ....	7,824,435
" 24.....	72,425,350 ....	26,653,905 ....	73,368,599 ....	7,821,782
" 31.....	72,431,244 ....	26,895,857 ....	73,873,238 ....	7,748,678

## DEATHS.

AULTMAN.—On December 26, aged fifty-eight years, C. AULTMAN, President of the First National Bank, Canton, Ohio.

DAVIS.—On January 12, aged eighty-three years, STEPHEN G. DAVIS, formerly Cashier of the Shawmut National Bank, Boston, Mass.

DEAN.—On January 19, aged seventy-five years, THEODORE DEAN, President of the Bristol Co. National Bank, Taunton, Mass.

FERRIS.—On January 12, JAMES H. FERRIS, Vice-President of the First National Bank, Franklinville, N. Y.

FOREMAN.—On January 11, aged eighty years, McEVERS FOREMAN, President of the First National Bank, Easton, Pa.

GRAHAM.—On January 19, aged sixty-one years, WILLIAM H. GRAHAM, of the firm of Alexander Brown & Co., Baltimore, Md.

KIERSTED.—On January 6, aged seventy-two years, JOHN KIERSTED, President of the First National Bank, Saugerties, N. Y.

MAYHEW.—On January 17, aged fifty-seven years, JONATHAN E. MAYHEW, Cashier of the First National Bank, Jamestown, N. Y.

RUDD.—On December 27, aged seventy years, L. RUDD, of the firm of L. RUDD & SON, Bronson, Mich.

SCOTT.—On January 16, aged seventy-two years, WILLIAM B. SCOTT, of the firm of A. E. Scott & Co., New York City.

SELIGMAN.—On January 21, ABRAHAM SELIGMAN, of the firm of J. & W. Seligman & Co., at Frankfort, Germany.

THE  
BANKER'S MAGAZINE  
AND  
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FINANCIAL LEGISLATION OF CONGRESS.

Before this number reaches our readers the days of the Forty-eighth Congress will be ended. Its financial legislation will form a meager page in the history of our country. The candid historian will not write that Congress had nothing of the kind to do, for there were several very important duties to perform in the regulation of the monetary circulation of the country. Three matters have been pressed before that body. One was the permission to banks to issue notes for the par value of the securities lodged with the Government for security. The second was the issue of a different class of bonds which a bank could afford to buy as a basis for circulation. The third measure was the suspension of the silver coinage. A partial defence for the action of Congress in not legislating on the first two measures is, that the country is amply supplied with a currency, and would not suffer even if the volume was not enlarged. Even if the National banks do not prosper, it is contended that the country, as a whole, would not lose much, and this defence has appeared in many quarters. But what reply can be made to the refusal or neglect of Congress to suspend the coinage of silver? The action of the other nations of the earth on this subject is familiar to every one. The leading nations of Europe are doing nothing to sustain the value of silver in the way of coining more, and we are acting alone. It is clearly apparent that we are drifting rapidly toward a single standard, not of gold, but of silver. It is only necessary to watch the condition of the Treasury from month to month to perceive that the stock of gold is steadily de-



clining, while that of silver is increasing. With this plain fact clearly perceived by all, there was no excuse for delaying action, unless Congress believed in establishing a single silver standard. If such were the opinion of that body it ought to have been declared, and then business men would have known better how to conduct their business.

Instead of acting, Congress has permitted the questions to drift, unmindful, or willing, that the monetary circulation should become disordered, and thereby bring serious evils on the business of the country. For, one thing is certain, we cannot adopt a single silver standard without manifest injury to all interests. The more enlightened part of the world has decreed in favor of gold, and if we adopt the other we are sure to suffer. This is not a matter of sentiment, but of interest. We cannot adopt the silver standard without seriously impairing our interests both at home and abroad.

Congress has also failed to enact a bankruptcy bill. Some sections of the country seem to think that a measure of this kind is for the special benefit of the East, and not for the general benefit of the whole country. They think that under the present want of system the creditors in each immediate vicinity of the debtor are perhaps better off than they would be if a National law existed. In other words, they are opposed to a National law, mainly because all creditors would be more likely to fare alike. The feeling in favor of such a law has long been very strong, and an excellent one has been matured, but, like several other measures of great importance, nothing has been accomplished.

Congress has been singularly inactive. Besides passing the appropriation bills, there is little to show for the two sessions. Each house debated a long time over an Inter-State commerce bill, and passed one, but these bills were so unlike in their provisions that no agreement could be reached. In the future we are likely to hear more of this matter. The railroads themselves are clearly coming to see that a properly framed bill wisely executed would be a good thing for themselves as well as for the public. Opposition to the measure will consist not in principle, but in the details of the measure proposed and in the methods of its administration.

The work of Congress, as a whole, is disappointing. Congress may wisely let many things alone, but on some things that body must act, or bring suffering on the people. Possibly the silver question is becoming so serious that an extra session may be necessary in order to dispose of it. The gold in the Treasury is falling to a low point. We do not believe that the people are willing to abandon the use of gold as the monetary standard, and if they are not, it is by no means improbable that the President-elect will be soon obliged to convene Congress in order to take action for averting the impending danger.

## PRODUCTION OF THE PRECIOUS METALS IN 1884.

Mr. John J. Valentine, Vice-President and General Manager of Wells, Fargo & Co., has published the following annual statement of precious metals produced in the States and Territories west of the Missouri River during 1884. California shows a decrease in gold of \$944,703, and an increase of silver of \$513,597. In Nevada, the Comstock shows an increase of \$1,668,524; Eureka District, a decrease of \$123,152. In the total product of the State there is an increase of \$117,318. Montana shows a considerable increase. Colorado and Arizona show a decrease from the production of 1883.

The facilities afforded for the transportation of bullion and ores, by the extension of railroads into mining districts, increase the difficulty of verifying the reports of the products from several important localities; and the general tendency is to exaggeration when the actual values are not obtainable from authentic sources; but Mr. Valentine's figures are generally regarded with much confidence.

STATES AND TERRITORIES.	Gold-dust and Bul- lion by express.	Gold-dust and Bullion by other conveyances.	Silver Bullion by express.
California.....	\$ 12,282,471	.... \$ 614,123	.... \$ 1,504,705
Nevada.....	1,527,859	....	.... 5,905,304
Oregon.....	368,315	.... 184,157	.... 2,695
Washington.....	45,964	.... 22,982	.... 1,179
Alaska.....	35,014	.... 80,000	....
Idaho.....	1,010,077	.... 150,000	.... 812,100
Montana.....	1,875,000	....	.... 6,175,000
Utah.....	31,501	.... 4,134	.... 2,657,054
Colorado.....	2,575,861	....	.... 4,877,888
New Mexico.....	157,688	.... 60,000	.... 906,248
Arizona.....	360,791	.... 100,000	.... 3,139,628
Dakota.....	2,726,847	.... 150,000	.... 110,000
Mexico (West Coast States).	285,256	....	.... 2,257,144
British Columbia.....	647,719	.... 140,000	....
	<u>\$ 23,930,363</u>	<u>\$ 1,505,396</u>	<u>\$ 28,348,945</u>

## ANNUAL PRODUCTION WEST OF THE MISSOURI RIVER, 1870-1884.

Year.	Silver.	Gold.
1870.....	\$ 17,320,000	\$ 33,750,000
1871.....	19,286,000	34,398,000
1872.....	19,924,429	38,177,395
1873.....	27,483,302	39,200,558
1874.....	29,690,122	38,466,488
1875.....	31,635,239	39,968,194
1876.....	39,292,924	42,886,935
1877.....	45,846,109	44,880,223
1878.....	37,248,137	37,576,030
1879.....	37,032,857	31,470,262
1880.....	38,033,055	32,559,067
1881.....	42,987,613	30,653,959
1882.....	48,133,039	29,011,318
1883.....	42,975,101	27,816,640
1884.....	43,529,925	25,183,567

The report of the Director of the Mint, made in October last, contains an estimate of about \$29,000,000 of gold and \$48,000,000, of silver at its coining value. This estimate is about \$4,000,000 higher for the gold product than that made by Mr. Valentine.\* Both estimates have been carefully prepared, and are worth considering together. The most important fact, however, is that the annual production of gold is steadily declining. The Mint report estimates the annual consumption of gold in manufactures at \$14,500,000, thus leaving only about \$10,000,000 for monetary use in the country. From this amount we must deduct the loss by abrasion and destruction of coins. The remainder, therefore, for replenishing our monetary supply is very small. In view of this fact we certainly should go slow in discarding the use of silver in effecting exchanges. Clearly as is our duty to suspend the coinage of silver, it is none the less clear that silver in some form should be used for the above purposes. This can be done in several ways. One way is to coin the silver into bars and use it at a gold valuation. The Secretary of the Treasury might be authorized to declare its value for certain periods in the year, say three or six months, determined by its value averaged during the three or six months preceding. Several methods have been suggested, in fact, for continuing the use of it while suspending the coinage of the silver dollar. We think the slight additions now made to the gold product of the world is conclusive proof that the day is not yet come for discarding the use of silver in monetary transactions.

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### THE CLEARING-HOUSE BUSINESS OF 1884.

The record of Clearing-house transactions, both at home and abroad, in 1884, tells a story of almost universal depression in business. In the United States the clearings are the smallest recorded in any year since 1879. Out of twenty-nine Clearing-houses reporting their operations for the whole of both years, only eight show any increase whatever. Kansas City, Norfolk and Minneapolis show a large increase in their exchanges; Milwaukee, Memphis, St. Joseph Columbus and Syracuse show a ratio of increase ranging from 1.7 to 10.3 per cent. All the others show a decline ranging from nine-tenths of one per cent. to 30.8 per cent. New York declines 17.2 per cent.; Boston, 7.7; Philadelphia, 10.7; Chicago, 10.5; St. Louis, 9.8; Baltimore, 9.4; San Francisco, 9.9; New Orleans, 13.8 per cent. In the country at large the decline amounts to 14.8 per cent., and for

\* The exports of silver during the past year to Japan, China, the Straits, etc., have been as follows: From London, \$40,221,658; from Marseilles, \$1,361,250; from Venice, \$130,680; from San Francisco, \$13,903,990. Total, \$55,617,578.

the Clearing-houses outside of New York, 8.3 per cent. The sales of stocks at New York, which affect very greatly the amount of the clearings there, were slightly less than in 1883, and the range of prices somewhat lower. The following interesting table, from the *Commercial and Financial Chronicle*, shows the number and value of shares sold at the New York Stock Exchange during the past ten years:

Year.	Stocks, Shares.	Average Price.	Values, Approximate.
1884	96,154,971	\$ 61.77	\$ 5,939,500,000
1883	97,049,909	64.51	6,260,809,961
1882	116,307,271	66.12	7,689,453,436
1881	114,511,248	71.59	8,197,506,403
1880	97,919,099	69.60	6,819,086,054
1879	72,765,762	56.85	4,136,633,570
1878	39,875,593	54.10	2,157,269,581
1877	49,832,960	52.20	2,601,280,512
1876	39,926,990	53.40	2,132,050,483
1875	53,813,937	53.20	2,862,903,683

It is calculated that every sale of stock involves the drawing of two checks for the amount, and that, hence, the exchanges resulting from stock transactions in 1884 would amount to \$11,879,000,000, as compared with \$12,520,000,000 in 1883, and \$16,395,000,000 in 1881. This, however, accounts for only \$4,500,000,000 out of a decline reaching \$18,400,000,000 since 1881, and leaves \$13,900,000,000 due to other causes. There are other forms of speculation besides that in stocks which have largely influenced the clearings in recent years, particularly the dealings in grain, cotton and petroleum. Thus the sales of grain and flour at the New York Produce Exchange, according to the *Chronicle*, reached 1,663,548,319 bushels in 1884, as compared with 2,417,726,933 bushels in 1883, 1,269,228,748 bushels in 1882, and 812,048,005 in 1881. The future business in cotton, according to the same authority was 24,360,800 bales in 1884, as compared with 30,324,600 bales in 1881, 13,548,203 bales in 1877, and 1,209,149 in 1870. All these various forms of speculation have an important influence in determining the amount of the clearings, especially at New York, which is the center of speculative activity.

The total clearings for 1884, at thirty Clearing-houses, reached \$44,091,569,448 as compared with \$51,721,469,295 at the same Clearing-houses in 1883. All the Clearing-houses report their transactions except St. Paul. The Clearings outside of New York reached \$13,105,698,277, as compared with \$14,287,168,424 in 1883. The balances reach approximately \$3,244,759,256, or 7.38 per cent. of the clearings, of which \$1,772,897,842 were outside of New York, being 13.53 per cent. of the clearings at the same places.

There has been no change in the aggregate number of banks represented in our Clearing-houses, and very little change in the amount of the capital. The greatest change is at New York, where one bank has been admitted—the Bank of the Metropolis—while

two, the Marine National and Wall Street Banks, have failed; and another, the Metropolitan, though still a member, is in liquidation. The following table, compiled from returns from the various Clearing-houses, and from the *Banker's Almanac* for 1885, gives the names of our Clearing-houses, the date of their establishment, the number of members, and the capital surplus and undivided profits of the banks at the end or in the last quarter of 1884, so far as they can be ascertained:

Clearing-House.	When Established.	No. of Banks Associated.	Capital of Associated Banks.	Surplus and Undivided Profits.	Total Capital, Surplus and undivided Profits.
New York.....	1853	63	\$60,712,700	\$40,962,536	\$101,675,236
Boston.....	1856	52	50,500,000	14,634,086	65,134,086
Philadelphia.....	1858	30	17,078,000	11,319,250	28,397,250
Chicago.....	1865	19	14,186,000	7,745,210	21,931,210
St. Louis.....	1868	20	9,150,000	5,171,084	14,321,084
Baltimore.....	1858	21	12,685,760	4,560,857	17,246,617
San Francisco.....	1876	16	abt.22,500,000	abt.11,000,000	abt.33,500,000
New Orleans.....	1872	10	5,475,000	1,994,933	7,469,933
Pittsburgh.....	1866	19	10,523,650	4,500,506	15,030,156
Cincinnati.....	1866	18	9,821,000	1,615,660	11,436,660
Providence.....	1866	34	17,913,800	4,007,160	21,920,960
Louisville.....	1876	21	8,919,860	1,770,366	10,690,226
Milwaukee.....	1868	9	1,225,900	723,527	1,949,427
Kansas City.....	1873	6	1,950,000	902,893	2,852,893
Detroit.....	1883	15	4,245,000	813,411	5,058,411
Cleveland.....	1858	10	3,700,000	793,219	4,493,219
St. Paul.....	1874	9	5,250,000	1,455,222	6,705,222
Minneapolis.....	1881	12	4,347,700	708,381	5,056,081
Indianapolis.....	1871	8	2,481,600	368,272	2,849,872
Hartford.....	1872	15	8,075,000	2,876,802	10,951,802
New Haven.....	1872	10	4,764,800	1,495,871	6,260,671
Memphis.....	1879	7	1,681,300	498,000	2,179,300
Peoria.....	1880	8	690,000	433,626	1,123,626
Portland, Me.....	1865	6	3,250,000	1,325,280	4,575,280
Worcester.....	1861	8	2,450,000	920,900	3,370,900
Springfield.....	1872	9	3,300,000	1,483,758	4,783,758
Lowell.....	1876	7	2,500,000	963,849	3,463,849
St. Joseph.....	1877	4	300,000	81,581	381,581
Columbus.....	1868	15	890,000	291,594	1,181,594
Norfolk.....	1871	5	500,000	355,346	855,346
Syracuse.....	1874	8	1,355,000	740,933	2,095,933
Total, 31 Clearing-houses		494	\$292,422,070	\$126,519,303	\$418,941,373
1883 (31 Clearing-houses)		494	292,965,798	122,905,350	415,871,148
1882 (29 Clearing-houses)		455	270,262,485	111,962,864	382,225,349
1881 (28 Clearing-houses)		446	266,665,254	*79,609,014	*346,274,268
1880 (28 Clearing-houses)		437	266,325,711	96,767,927	363,093,638

\* Surplus only included.

The capital, as above given, is less than that actually represented, owing to the fact that the private banks, for the most part, do not report. At San Francisco the estimate of last year is retained for want of a better. A large number of the banks in the various clearing cities, not themselves members, effect their settlements through the Clearing-house by means of banks which are members.

The total clearings and balances for 1884, the increase or decrease per cent. in the clearings, the ratio of balances to clearings, and the total exchanges, so far as can be ascertained, to December 31, 1884, are as follows:

	<i>Clearings.</i>	<i>Increase or Decrease %.</i>	<i>Balances.</i>	<i>Bal. to Cl. %.</i>	<i>Total Cl. reported to Dec. 31, '84.</i>	<i>No. of y'rs re- ported.</i>
	\$		\$		\$	
New York..	30,985,871.170	-17.2	1,471,861,414	4.75	726,290,123,667	32
Boston.....	3,243,327,658	-7.7	431,268,183	13.30	65,715,168,863	29
Philadel. ...	2,514,028,803	-10.7	226,307,687	9.00	48,448,180,931	27
Chicago ....	2,259,680,392	-10.5	239,625,323	10.60	24,352,521,229	20
St. Louis...	785,202,177	-9.8	125,260,945	15.95	9,493,757,179	16
Baltimore...	*631,687,135	-9.4	182,000,000	13.00	6,183,734,035	10
San Francis.	556,857,691	-9.9	95,275,201	17.11	5,154,071,767	9
Pittsburgh...	469,316,010	-5.7	96,345,357	20.53	4,911,548,345	19
Cincinnati..	460,600,000	-6.8	169,000,000	15.00	6,595,798,715	19
New Orleans	†454,500,000	-13.8	†45,000,000	10.00	5,694,980,501	13
Providence.	217,448,300	-8.3	143,000,000	20.00	1,596,487,300	8
Louisville..	†211,700,000	-1.4	148,700,000	23.00	1,416,458,616	9
Milwaukee.	178,995,637	+1.7	33,818,706	18.88	2,292,792,410	16
Kan. City...	177,175,467	+33.7	25,037,130	14.13	691,756,794	11
Detroit.....	133,611,910	-	22,416,551	16.78	264,618,623	2
Minneapolis	110,556,620	+22.8	127,600,000	25.00	200,556,620	2
Cleveland..	106,044,770	-9	125,500,000	24.00	704,044,850	8
Hartford....	81,834,837	-10.8	23,132,803	28.27	522,690,969	7
Indianapolis	73,213,168	-21.8	12,348,408	16.87	937,321,074	14
Memphis...	60,040,361	+6.1	11,872,930	19.78	255,495,801	5
New Haven	†57,799,870	-8.5	†13,000,000	22.50	397,712,039	8
Portland...	45,421,102	-5.1	8,571,467	18.87	231,786,697	5
Peoria.....	44,058,884	+13.2	†11,000,000	25.00	197,544,552	4
Worcester..	39,610,041	-8.0	12,777,475	32.26	541,354,693	24
Springfield.	37,585,774	-6.7	10,549,540	28.07	378,877,983	13
Columbus...	34,858,428	+10.3	5,283,222	15.41	230,102,390	11
St. Joseph..	34,657,818	+7.7	†5,640,000	16.27	171,357,105	8
Norfolk....	34,158,781	+26.3	6,071,617	17.78	87,102,049	3
Syracuse ...	27,266,247	+4.9	7,066,504	25.92	159,717,184	8
Lowell.....	24,460,396	-30.8	9,428,793	38.55	184,041,906	9
Total, 30						
Cl.-houses..	44,091,569,447	-14.8	3,244,759,256	7.38	914,302,304,887	
Outside N.Y	13,105,698,277	-8.3	1,772,897,842	13.53	188,012,181,220	
Total, 1882	51,721,469,295	-14.9	3,398,923,042	6.57		
Outside N.Y	14,287,168,424	+3.1	1,834,244,946	12.84		
Estimated clearings not included above....					9,800,000,000	
					\$924,102,304,887	

\* From the *Boston Post*.† From the *Commercial and Financial Chronicle*.

‡ Estimated.

The total amount of balances paid in effecting these enormous transactions has not probably exceeded \$56,000,000,000 or not far from six per cent. of the exchanges. As several of the leading Clearing-houses do not report their balances, this must be taken as a rough approximation only. The amount of actual cash handled in effecting the Clearing-house exchanges is still more uncertain, though from such data as are known the ratio of cash has probably been from two to three per cent. of the exchanges, indicating a saving in the handling of cash through our Clearing-house machinery of about ninety-seven or ninety-eight per cent. of the exchanges effected through its agency. At New York, in 1884, the amount of cash handled amounted to less than one-half of one per cent. of the exchanges, while at San Francisco it was six per cent.

These two Clearing-houses are the only ones which keep a record showing the proportion of their balances paid in cash and certificates, though it is to be hoped that other Clearing-houses will follow the example. The amounts paid respectively in these different ways at New York and San Francisco in 1884 were as follows:

	New York.		San Francisco.	
	Amount of Balances.	Proportion per cent.	Amount of Balances.	Proportion per cent.
Paid in legal tenders and change	\$136,028,414.07	9.24		
" Gold Coin.....			\$33,967,811.49	35.65
" legal tender Certificates.	52,870,000.00	3.60		
" U. S. Gold ..	648,551,000.00	44.06	2,767,390.00	2.90
" C. H. Loan ..	70,510,000.00	4.79		
" C. H. Gold ..	563,902,000.00	38.31	58,540,000.00	61.45
	\$1,471,861,414.07	100.00	\$95,275,201.49	100.00

The ratio of balances to clearings depends partly upon the number of banks, but much more upon the amount and character of their business, and upon their mutual relations to one another. Thus at Lowell, with seven banks, the ratio is 38 per cent.; at Worcester, with eight banks, 32.26; at Syracuse, with eight banks, 26; at Memphis, with seven banks, 20. At Pittsburgh, with over sixty banks directly or indirectly making their clearings, the ratio is 20 per cent. on 469 millions of business, while at New Orleans, with ten banks, it is only about ten per cent. on transactions of 454 millions. At Boston, with seventy-six banks directly or indirectly involved, the ratio is 13 per cent. on 3,243 millions, while at Philadelphia, with thirty banks, it is only 9 per cent. on 2,514 millions. At New York about 13 per cent. of the balances are due to the operations of the United States Assistant Treasurer, who almost always has a heavy balance to pay to the associated banks. This appears in a striking manner from the following record of the Assistant Treasurer's dealings with the Clearing-house since July 1, 1880:

	Checks taken to C. H.	Checks rec'd from C. H.	Balances paid to C. H.	Balances rec'd from C. H.
1880 (last 6 mos.)	\$43,783,905	\$188,869,859	\$145,432,235	\$346,281
1881.....	99,892,848	355,747,878	261,787,748	5,932,718
1882.....	125,559,767	353,359,469	229,392,539	1,592,837
1883.....	119,340,821	287,948,162	170,014,037	1,406,696
1884.....	111,894,497	299,879,734	188,624,513	639,276
Total.....	\$500,471,838	\$1,485,805,102	\$995,251,072	\$9,917,808
Total Exchanges..	\$1,986,276,940			
Total Balances....	\$1,005,168,880			

Here the balances are more than fifty per cent. of the clearings, and just in proportion as the transactions of the banks among themselves approach this condition, in that proportion will the ratio of balances to clearings be increased. On the other hand, the more nearly the banks stand on an equality with each other, the more

nearly will their transactions approach a complete offset, which would leave no balances to be paid.

The transactions of the principal foreign Clearing-houses from which returns have been received have been as follows:

	1884.		1883.
Paris.....	4,264,712,991 fr.	\$ 823,089,000	\$ 813,238,000
Vienna (Bank's Cl. Ho.).	631,872,744 gulden.	284 341,000	275,920,000
“ (Stock “	5,319,297,000 “	2,393,680,000	2,206,800,000
London.....	£ 5,798,555,000	\$ 28,218,630,000	\$ 28,854,948,000
Manchester:.....	118,555,644	576,950,800	576,825,000
Newcastle-on-Tyne..	34,362,400	167,224,600	190,239,000
Total British.....	£ 5,951,473,044	\$ 28,962,805,400	\$ 29,622,012,000

At Vienna the bank clearing corresponds in its functions with our Clearing-houses. Its transactions are small, for the reason that the use of checks has made far less progress than in England and the United States. There is a further reason for this in the fact stated by Mr. Isidore Kanitz, Director of the Vienna Clearing-house, that the public find bank notes cheaper than checks, which are subject to a tax of one cent each, without regard to size.

In regard to the German Clearing-houses, nine in number, which will form the subject of a subsequent article, the President of the Imperial Bank furnishes the following interesting record of their transactions during the year 1884:

	No. of Pieces.	Total Amount of Deliveries. Marks.	Balances. Marks.	Average per Month.—		
				No. of Pieces.	Total Amount of Deliveries. Marks.	Balances. Marks.
Hamburg.	1,235,703	5,240,404,400	357,598,100	102,975	436,700,400	29,799,800
Berlin....	177,439	2,873,005,900	1,531,540,200	14,787	239,417,200	127,628,300
Frankfort- on-Main.	201,891	2,183,219,000	390,157,000	16,824	181,934,900	32,513,100
Bremen...	37,719	451,566,800	66,491,900	4,286	51,314,400	7,555,900
Cologne..	134,947	554,940,100	181,008,100	11,246	46,245,000	15,084,000
Leipsic..	70,612	347,193,800	114,735,200	5,884	28,932,800	9,561,300
Stuttgart..	69,664	244,915,800	105,415,400	5,805	20,409,600	8,784,600
Breslau...	18,278	153,260,400	65,198,700	1,828	15,326,000	6,519,900
Dresden..	32,759	81,689,900	43,624,300	2,730	6,807,500	3,635,400
Total.....	1,979,012	12,130,196,100	2,855,768,900			
		\$ 2,886,900,000	\$ 679,000,000			
Average amount of each piece....		\$ 1,459				

The transactions at Bremen cover the period from April 7 to December 31, and at Breslau from March 1 to December 31. At all the other Clearing-houses the dealings cover the entire year. The amount was somewhat greater than the returns for January, 1884, indicated.

The following table gives the clearings by months at London, Paris, New York and Boston, in millions of dollars:



	<i>Paris.</i>		<i>London.</i>		<i>New York.</i>		<i>Boston.</i>
January.....	75.4	....	2,643.4	....	3,382.9	....	306.0
February.....	76.1	....	2,362.0	....	2,967.7	....	252.4
March.....	70.9	....	2,427.1	....	2,875.2	....	263.7
April.....	73.3	....	2,310.6	....	2,902.3	....	291.7
May.....	70.0	....	2,594.9	....	3,329.2	....	296.0
June.....	59.7	....	2,164.3	....	2,396.7	....	253.8
July.....	70.9	....	2,489.6	....	2,179.9	....	258.9
August.....	65.7	....	2,190.9	....	2,049.8	....	232.1
September..	63.0	....	2,212.0	....	2,056.5	....	236.6
October.....	71.6	....	2,410.2	....	2,370.9	....	288.6
November...	60.5	....	2,210.3	....	2,095.9	....	262.9
December...	66.0	....	2,202.4	....	2,378.9	....	300.6

Total..... 823.1 .... 28,218.6 .... 30,985.9 .... 3,243.3

Of the London clearings £960,621,000 were on stock exchange settling days, £461,452,000 on the days following, and £3,865,471 on ordinary days. The transactions on stock exchange settling days declined £98,000,000, as compared with a decline of £35,000,000 on ordinary days.

The following table shows the comparative statistics of our own and the British Clearing-houses for a series of years, in millions of dollars:

	<i>No. of Associa- tions.</i>	<i>No. of Associations Reporting.</i>	<i>Aggregate Exchanges U. S.</i>	<i>Gold &amp; Currency Exchanges N. Y.</i>	<i>Exchanges Outside N. Y.</i>	<i>Exchanges Three British Clearing-houses.</i>
1853 ..	1	1	*1,304.9	..	*1,304.9	..
1854 ..	1	1	5,798.6	..	5,798.6	..
1855 ..	1	1	5,673.7	..	5,673.7	..
1856 ..	2	2	8,404.2	..	7,340.8	.. \$1,057.4
1857 ..	2	2	8,591.4	..	7,196.1	.. 1,395.3
1858 ..	5	3	7,215.7	..	5,376.2	.. 1,839.5
1859 ..	5	3	9,069.3	..	6,598.8	.. 2,470.5
1860 ..	5	3	10,022.1	..	7,393.8	.. 2,628.2
1861 ..	6	4	7,507.4	..	5,516.4	.. 1,991.0
1862 ..	6	4	10,120.1	..	8,234.9	.. 1,885.3
1863 ..	6	4	20,442.4	..	17,427.7	.. 3,014.7
1864 ..	6	4	30,053.5	..	25,640.0	.. 4,413.4
1865 ..	8	5	30,437.0	..	25,858.0	.. 4,579.0
1866 ..	11	7	36,235.9	..	31,466.5	.. 4,769.4
1867 ..	11	7	30,322.2	..	25,811.2	.. 4,510.9
1868 ..	14	7	36,079.7	..	31,159.7	.. 4,919.9
1869 ..	14	9	41,157.1	..	35,541.1	.. 5,616.0
1870 ..	14	9	32,849.7	..	27,086.3	.. 5,763.4
1871 ..	16	10	37,200.4	..	30,643.0	.. 6,557.4
1872 ..	20	12	43,581.5	..	36,369.6	.. 7,212.0
1873 ..	21	13	37,686.6	..	29,840.5	.. 7,846.1
1874 ..	23	14	31,822.1	..	24,450.0	.. 7,372.0
1875 ..	23	15	32,339.7	..	24,313.8	.. 8,025.9
1876 ..	26	18	29,579.9	..	21,476.7	.. 8,103.2
1877 ..	27	23	31,944.2	..	23,800.6	.. 8,143.5
1878 ..	27	24	30,133.1	..	22,401.1	.. 7,732.0
1879 ..	28	24	38,591.2	..	29,235.6	.. 9,355.5
1880 ..	29	26	50,113.9	..	38,614.4	.. 11,499.5
1881 ..	30	27	63,414.6	..	49,376.9	.. 14,037.7
1882 ..	30	28	60,797.1	..	46,917.0	.. 13,880.2
1883 ..	31	30	51,721.5	..	37,434.3	.. 14,287.2
1884 ..	31	30	44,091.6	..	30,985.9	.. 13,105.7
			914,302.3	726,290.1	188,011.8	452,788.4

It is proper, in closing, to acknowledge the valuable assistance rendered by the managers of the various Clearing-houses and others for their timely assistance in furnishing the data used in the foregoing article.

DUDLEY P. BAILEY.

## BANK EXAMINATIONS ONCE MORE.

Many think that one of the weakest points in the National banking system is the inadequacy of bank examinations. If abolished, say these critics, bank directors and stockholders would examine for themselves. These remarks clearly imply an ignorance of the examinations conducted by banks on their own account, regardless of the public inspections that are made. Of course there are many banks, both public and private, which are examined, we fear, too imperfectly by themselves. Of one thing we are certain—public examinations have never done any harm, and often resulted in much good. Every now and then a State or private bank fails, and the disclosures bring clearly to light the need of more thorough inspection, either by public or private officials. While not intending to criticise any bank, whether public or private, unjustly, this much can fairly be said for the National banks, they have been conducted as wisely and fairly as their competitors. When failures have occurred, and followed by disclosures, the National banks have not had a worse story to tell in any case than other banking institutions.

We are led to these remarks, first, by recent criticisms of National bank examiners; and, secondly, from reading the recently published report of the Bank of Mobile, which failed last year. Several months before the failure the president of that institution solicited the collections of a New York bank for the Mobile vicinity. He declared that his own institution was in first-class condition, and in every way worthy of confidence. On the sixteenth of December last he made a correct statement of the actual condition of the bank at the time of its failure, which was essentially the same as when he responded to the inquiries of the New York bank president. The nominal capital of the Mobile Bank set forth in this statement was \$375,000. Of this amount the bank held stock for \$225,000. To one party there was loaned \$64,676, for which, says the president, "soon after I assumed charge, unavailable stuff had to be taken in payment in order to save it." There was a "collection account" which "had disappeared from the bank years before [he became president], and carried as an asset," which amounted to \$18,800. Another item was "exchange on New York which covered an old matter in litigation," and amounted to \$4,536.35. There were two other items, "accounts out of date, in collection, and old overdrafts," amounting to \$11,954.57. The "unproductive real estate" amounted to \$42,374, leaving as available working capital, 7,559.08! Such was the condition of the Bank of Mobile at

the time he informed the president of the New York bank that it was in excellent condition and worthy of credit. We venture to say that of all curious statements and reports made by National banks or National bank examiners during the twenty years that the system has been in operation, not one will be found so grossly crooked as this. Moreover, the statement clearly shows that this crookedness had existed for a long period. The defalcations in National banks have rarely covered a period longer than a few months. If the National bank examiners are deceived once or twice in making their examinations, they are not deceived usually very long. It would not be possible for a bank in that system to keep its doors open and transact business as the Bank of Mobile did for such a long period before closing them.

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### INTER-STATE COMMERCIAL LAWS.

A bill to regulate commerce among the several States, and to codify the law relating to bills of exchange and other commercial paper has been introduced into Congress. It is divided into five parts, and large space is devoted to definitions and interpretations. Section 3 declares that a bill of exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer; and a sub-section also declares that an instrument which does not comply with these conditions, or which orders any act to be done in addition to the payment of money, is not a bill of exchange. The days of grace, interpretation of periods, dating of an instrument, right of drawer, and requisitions of acceptance, do not differ materially from present methods. In regard to the liability of parties, some important provisions are laid down. Section 53 declares that a bill, of itself, does not operate as an assignment of funds in the hands of the drawee available for the payment thereof, and the drawee of a bill who does not accept as required by this Act is not liable on the instrument, unless it expressly provides that it shall operate as an assignment of the sum for which it is drawn in favor of the holder from the time when the bill is presented to the drawee.

This part of the measure also provides that when a bill payable to order on demand is drawn on a banker, and the banker on whom it is drawn, pays the bill in good faith and in the ordinary course of business, it is not incumbent on the banker to show that the indorsement of the payee or any subsequent indorsement was made

by or under the authority of the person whose indorsement it purports to be, and the banker is deemed to have paid the bill in due course, although such indorsement has been forged or made without authority. And Section 62 declares that when the holder of a bill, at or after its maturity, absolutely and unconditionally renounces his rights against the acceptor, the bill is discharged. The renunciation must be in writing, unless the bill is delivered up to the acceptor.

In regard to the conflict of laws, it is provided that where a bill drawn out of the United States is negotiated, accepted or payable within the same, the rights, duties and liabilities of the parties thereto are determined as follows:

(1.) The validity of the bill as regards requisites in form is determined by the law of the place of issue, and the validity as regards requisites in form of the supervening contracts, such as acceptance, or indorsement, or acceptance *supra protest*, is determined by the law of the United States: *Provided that*—

(a) Where a bill is issued out of the United States it is not invalid by reason only that it is not stamped in accordance with the law of the place of issue.

(b) Where a bill, issued out of the United States, conforms, as regards requisites in form, to the law of the United States, it may, for the purpose of enforcing payment thereof, be treated as valid as between all persons who negotiate, hold, or become parties to it in the United States.

(2.) Subject to the provisions of this Act, the interpretation of the drawing, indorsement acceptance, or acceptance *supra protest* of a bill is determined by the law of the United States: *Provided*, That where an inland bill is indorsed in a foreign country, the indorsement shall, as regards the payer, be interpreted according to the law of the United States.

Several sections are devoted to the obligations of makers of promissory notes, and in a supplementary part of the bill it is provided that bills of lading, warehouse receipts, and receipts or orders for specific property be declared to be means and instruments of commerce, to be negotiable by indorsement and delivery, and to be governed by the rules of law relating to promissory notes, so far as the same may be applicable thereto. Mortgages and trust deeds securing negotiable paper are negotiable in like manner.

Section 90 declares that any bank, banker or other person who shall in good faith advance any money upon any bill of lading, warehouse receipt, or order for personal property, or upon any mortgage or deed of trust of real estate as collateral security for any bill of exchange, promissory note or check, or otherwise in due course of trade or commerce, shall be protected to the extent of

such advances in the property covered by such bill of lading, warehouse receipt, or order for personal property, or such mortgage or trust deed and the proceeds thereof, as fully as though such advances had been made in due course, and for value, on a bill of exchange or promissory note only before the maturity thereof.

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### PENNSYLVANIA TAX LEGISLATION.

A new bill has been introduced in the Legislature of Pennsylvania, designated "An Act to Equalize Taxation." It requires assessors to assess all property liable to taxation at its full cash value. There is nothing new in this feature of the bill, but it contains another, which is worthy of notice.

All attempts to tax personal property have been very unsuccessful. This is especially the case with respect to the taxation of bonds, mortgages, notes and stocks. It is so easy to secrete these forms of property that the owners have, in exceptional cases only, made returns. The greater portion of such property, which is taxable, annually escapes taxation. Any system of espionage for ascertaining where it may be is exceedingly unpopular. Oaths to the truth of the returns required are generally regarded in a very peculiar light, so peculiar, indeed, that if the returns were honestly made the world would be greatly astonished.

This bill provides that every taxpayer shall furnish the assessor a written statement of all interest-paying bonds, mortgages, notes, bills, and other like securities, and any withheld from assessment are declared to be uncollectable at law and the interest on the same forfeited. This is the remarkable feature of the bill. If enacted, it doubtless would operate to bring out securities for assessment. The owner of them would hardly dare practice concealment; but if intending to make an honest return, in many cases he probably would forget to state all the kinds of property he might have, and so far as he did thus forget, whether unintentionally or not, the bill would summarily operate to confiscate it for the benefit of the debtor. Of course he would be happy, but the creditor would not.

This bill embodies the sentiments and wisdom of the Patrons of Husbandry. They think if it were enacted they, as well as the people generally, would be gainers. But if creditors were required to make full and complete returns of all their notes, bonds and mortgages, and found no way of escape, and actually did return them, would they not require the debtor to pay the taxes? The result, therefore, of such legislation would simply be to increase the burdens of the debtor. This might be a wise thing to do, but we venture to say it is not what the Patrons of Husbandry desire.

Equality of taxation is certainly a most desirable thing. The systems of taxation in the cities especially is truly barbarous. So far as this bill is likely to promote equality it is to be commended. At present the inequalities are very great, and injustice of the rankiest sort is everywhere perpetrated.

If property were taxed at its full value, and no one escaped a fair, honest assessment, we venture to predict that the first effect would be much closer attention to legislation and to the administration of the laws than are now paid. The truth is, a very large number of persons who realize how imperfect our laws are, and how poorly they are executed, say little and do nothing, expecting to escape much injury by getting the best of the tax assessor and collector. This is particularly the case with respect to municipal taxation. Those who have large real estate interests, and who, if their property were assessed at its full value, would pay heavy taxes, often remain silent concerning city wrongs and abuses, and having friends at court, in the end pay very moderate tax bills. They regard such a policy much better than to fight for honest legislation and public economy. If laws could be enacted taxing all property at its full value, and be honestly and vigorously enforced, they would be the most effective reform measures that could be devised.

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### FINANCIAL FACTS AND OPINIONS.

A city contemporary propounded the following a few weeks ago as the only explanation of the present commercial and financial depression:

The true view of the situation is, that the country is suffering from a reaction from too great and rapid investments in railway building, culminating in 1881-2. The radical cause of trouble in this over-activity was the conversion of a very large amount of available capital into fixed capital paying no profit.

The difficulty about this explanation is, that the depression existing in this country is not greater than it is throughout the commercial world, and that it is less than it is in many commercial countries. It is less, for example, than it is in Great Britain, the railroad system of which was substantially finished long before 1881-2. The fact which we see everywhere is the fact of falling and low prices, depriving producers and merchants of profit, and often involving them in loss and bankruptcy, and necessarily attended by the diminution of production, reduction of wages, and throwing out of employment of large numbers of laborers. For a condition of things prevailing everywhere, there must be a world-wide cause. It cannot have been occasioned by any merely local disorder, and in saying that, we do not by any means intend to admit that the investments

in railroads in 1881-2 put any overstrain upon the resources of this country. The money then invested in a few parallel lines was in the main thrown away, but the greater part of the railroads built within ten years have been needed and valuable additions to our interior communications, and are to-day paying large profits in dividends to their owners and in incidental benefits to the country.

The Governor of Arkansas, in his annual message delivered a few weeks ago, fixed the amount of the admitted debt of the State at \$4,869,943, consisting of bonds upon which no interest has been paid since 1872. More than half of the debt is the interest in arrears. There are outstanding a much larger amount of bonds issued by the State officials, but which the people of Arkansas regard as fraudulent, and the payment of which they have forbidden by an amendment of the State Constitution. The burden of the admitted debt of the State has doubtless quadrupled since 1872, by the increased value, or purchasing power of money, added to the accumulation of interest. The Governor now recommends that hereafter the interest shall be regularly paid, and that the principal of the debt shall be "gradually" reduced. Nothing alarms a large class of American politicians more than the idea of paying public debts, except in the slowest, most cautious, and most deliberate way. They seem to be afraid of getting rid of debts too soon, but many of them have shown no hesitation about creating debts in the most dashing style, and piling up enormous accumulations of them in incredibly short spaces of time. It is in the payment of debts that they are "gradual" and conservative. Smith, in his *Wealth of Nations*, published at the date of the American Revolution, described in what way the British debt had acquired its magnitude at that time, which was considered alarming, although it was then small as compared with the figure to which it was raised during the next forty years. The process was the simple one of rolling up debt so rapidly during wars, and of being so "gradual" in discharging it in times of peace, that upon the whole it was certain to become larger and larger. Washington, in his farewell address, did not advise the country to be "gradual," but to be "strenuous" in paying off during peace debts contracted in war. The Arkansas Governor's idea, of having debt payments made "gradually," is not peculiar to the South-West. It is a familiar, and possibly a prevailing one, among party leaders in the North-East. Pennsylvania originally had no sinking fund, and when it did establish one not a very long time ago, the amount was fixed at \$250,000 annually, and not to be cumulative, or about sufficient to discharge its debt in eighty years, if no public calamity occurred in the meantime. Connecticut one of the thriftiest States in the Union, and having a vast surplus money capital loaned out abroad, because it cannot be as profitably

employed at home, decided two or three years ago to postpone for twenty years longer a part of a debt, insignificant in comparison with its resources, incurred during the civil war. Of the National conventions held last summer by the two great political parties, only one ventured to declare in favor of the payment of the National debt at all, and that one took special care to say that it was only its "gradual" payment which was intended. But however much politicians in the South-West, or in the North-East, may incline to coy delays in discharging public debts, we abide in the belief that the people everywhere prefer Washington's maxim of being "strenuous" in that good work.

During the calendar year 1884, the excess of the British exports over imports of gold was £1,292,481, or upwards of six million dollars. The British consumption of gold in the arts is somewhere from ten to fifteen million dollars annually, and unless that is supplied by importations, it must be abstracted from the stock in monetary use.

During the calendar year 1884 the British net export of silver to India was £7,538,428, as compared with £6,027,511 in 1883. To China (including Hong Kong) it was £761,134, as compared with £860,373 in 1883.

The English statistician Mulhall computes the aggregate National debts of Europe at £4,414,000,000, or \$21,616,000,000.

The net indebtedness of the cities and towns in Maine is stated by the Governor to have been reduced \$396,655 during the year ending with March, 1883, and \$428,368 during the year ending with March, 1884, at which last date it amounted to \$9,535,206. During the two years ending with December, 1884, the net indebtedness of the State Government was reduced \$375,610.

The exports of cotton from India during the Indian fiscal year ending March 31, 1884, were 6,168,278 cwts. During the previous ten years, the greatest export in any one year was 5,600,086 cwts., and the smallest, 2,966,060. Of the export of 1883-4, there were sent to the Continent of Europe 2,891,444 cwts., and to Great Britain 2,865,045 cwts., some of the latter being afterwards reshipped to the Continent of Europe. Before the opening of the Suez Canal the European nations, except Holland which had Asiatic colonies, received what they consumed of Asiatic products *via* England, and with the addition made to their prices by British mercantile profits. Now the ports on the Mediterranean and Black Seas are nearer to Eastern Asia than London and Liverpool are, and the direct trade of Continental Europe with Asia is rapidly becoming large. Lord Palmerston had many good reasons, from a British point of view, for resisting the opening of the Suez Canal.

During the seven calendar years ending with 1884 the excess of British gold exports over imports was \$24,187,306. During the same



years (but covering only ten months of 1884) the excess of French gold exports over imports was \$14,706,744. These figures are from custom-house returns, and are more reliable in respect to Great Britain, which has no land frontiers, than they are in respect to France. On the estimates of Soetbeer, the consumption of gold in the arts in both countries during the same years amounted to \$157,183,806, making their total loss of gold in monetary use \$196,077,856.

As in all the countries in Europe which have been specie paying during the past seven years, there are the same fall in prices and other evidences of a shrinkage of the money volume, which appear in Great Britain and France, it may be assumed that their loss of gold money has been in the same proportion as in those two countries, but by no means absolutely so great an amount, as their stock of gold money is much less.

Of the European countries now non-specie paying, and which have been so during the last seven years, there is nothing known which would indicate any appreciable change within that time in the gold held as money in Austro-Hungary. As respects Russia, while the published accounts of the gold in Government and bank reserves also indicate no change, the suspicion prevails more or less in Europe, and even in Russia itself, that there has been a decrease.

In Italy the late specie resumption was effected by borrowing \$84,000,000 of gold and about half as much silver, and the great bulk of this borrowing was outside of the country. The statements received from Italian sources, and not contradicted from other quarters, are to the effect that no part of the borrowed gold has thus far flowed out of the country, and if that is true there must have been an increase since 1878 of possibly \$75,000,000, or thereabouts, in the gold money of Italy.

The reduction of rather more than nine million dollars in the public debt during January is mainly ascribable to the facts that the pension payments during the month were less than a million, and that payments on account of the navy were wholly suspended by the delay in making appropriations which arose from disagreements between the Senate and House. The available cash balance at the end of January was \$146,569,233, which is nearly seven million dollars more than the forty-per-cent. reserve for the redemption of the greenbacks, which it is the rule of the Treasury to keep. But the Secretary was well justified in not issuing a bond call, considering that it was known that the pension payments in February would be very heavy, and that into the same month there would be crowded two months' payments for the navy. In addition, there has been the uncertainty, which will continue until the third of March, as to the magnitude of the new and extraordinary expenditures which may be ordered by Congress for pensions, education, isthmus canals, &c.

During the calendar year 1884 the merchandise imports of Great Britain amounted to £389,774,549, of which £62,443,715 were re-exported. The London *Economist* of January 24 states as the result of detailed comparisons with the trade of 1883, that the merchandise imports of 1884 were less in quantity by two and a-half per cent., and that the prices of the things imported were on the average less by "rather more than six and a-quarter per cent." The conclusion of the *Economist* is that although this fall in prices "may have been of some importance to those upon whom it has fallen," it nevertheless cannot be said, in respect to 1884, "that from a consumer's point of view, it has been an unfavorable year."

The *Economist* of January 31 gives detailed tables showing that the exports of British produce and manufactures during the calendar year 1884, which amounted to \$232,927,000 in money valuation, would have amounted to £242,531,000, if the prices of 1883 had been maintained, thus proving that there had been a fall of prices of about four and a-quarter per cent. on a comparison of 1884 with 1883 in the prices of British exports, whereas the fall in the prices in British imports was six and a-quarter per cent. But if the fall of prices had been the same in the exports as in the imports, Great Britain would still have been the gainer in its foreign commerce, because it has always a large excess of merchandise imports over exports, this excess representing the interest and other forms of tribute which it receives annually from the rest of the world.

The descriptions and amounts of United States bonds held in the Treasury as security for National bank notes were as follows, at the two dates named:

	1884—December 13.		1885—February 13.
6s.....	\$ 3,519,000	.....	\$ 3,520,000
4½s.....	49,098,650	.....	49,040,050
4s.....	118,412,400	.....	117,548,400
3s.....	148,265,500	.....	146,150,650
	<u>\$ 319,295,550</u>		<u>\$ 316,259,100</u>

On the fourteenth of February the net National bank circulation was \$284,139,478, after deducting \$40,846,081, which was the amount of such notes for the retirement of which cash was deposited in the Treasury.

The conference of the Latin Union States, which was to have met on the fifteenth of last January to consider the question of extending the Latin Union Treaty, which expires at the end of this year, was postponed until the fourteenth of next April, at the request of Italy. The assigned reason for that request was the advantage of waiting to see what action might be taken by the present Congress in respect to the suspension of the silver coinage in the United States.

During the twenty-seven years ending with 1875, which cover the period of the greatest yield of the California and Australian gold mines, the excess of the imports over the exports of gold and silver by British India amounted to 1,323 million dollars, of which one-third was gold and two-thirds was silver.

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## HISTORY OF THE PERMANENT AND TEMPORARY CIVIL WAR LOANS.

After the banks paid the last installment of their loan the Secretary was obliged to rely on the feeble income derived from taxation, the use of demand notes authorized at the July session of Congress, and the cash from light sales of the seven-thirties, until authority had been granted to issue legal tenders. The law which gave birth to them also authorized him to issue \$500,000,000 of bonds, redeemable at the pleasure of the Government after five years, and payable twenty years from date. They were to bear six per cent. interest, payable semi-annually, and the Secretary could sell them "at any time, at the market value thereof for the coin of the United States," or for any Treasury notes that had been or would be issued. These bonds could not be taxed by State authority, and the interest and principal were payable in coin. They were afterward designated five-twenties.

For several months the sales of bonds were insignificant. Only \$13,990,600 were sold by the close of the fiscal year. But that part of the financial plan which provided for the borrowing of deposits was more successful. The banks of New York City that belonged to the Clearing-house deposited \$20,000,000 of Government notes with the Assistant Treasurer very soon after the law was passed (March 7), and used the certificates received from him in settling Clearing-house balances. By such action the banks loaned permanently \$20,000,000 to the Government, because they were not likely to present these certificates for redemption. Funds of some kind must be kept for paying Clearing-house balances, and the above arrangement was very beneficial to the banks as well as to the Government. Having thus deposited four-fifths of the amount authorized by law, the question was started in the Senate whether the limit of deposits should not be extended to \$50,000,000. The banks of other cities wished to make deposits, and receive certificates which they could use in Clearing-house transactions. The Senate finance committee recommended the increase, but some Senators were strongly opposed to it. They did not clearly understand the operation of the law. They did not perceive that the deposits were in every sense a loan to the Government, like the deposits of indi-

viduals to banks which are afterward loaned to others. The debate on the question was interesting, particularly as illustrating the crude ideas which existed in many minds at that time on financial matters. The great debates in Congress before the war had been over constitutional questions. A new era was now begun. Our National legislators had had as little experience in finance as our generals in the art of war. Both classes learned rapidly, but at fearful cost of treasure, life and happiness.

Senator Sherman, as on the preceding occasion, was strongly opposed to the receiving of deposits and issuing certificates therefor. "The Government," he said in the debate, "gets no benefit from the arrangement at all." The chairman of the finance committee thought otherwise. Mr. Sherman, however, maintained "that this was the most futile idea that could enter the mind of any man. At the pleasure of the depositor these notes were made to bear five per cent. interest. We must keep them in the hands of the Sub-Treasurer to pay the certificates of deposit, otherwise we are liable, at any moment, to have our Government dishonored." He declared that the "practical effect" of the measure would be "to compel Congress hereafter to issue an amount of Treasury notes equal to the amount of this deposit." He thought the Secretary of the Treasury "ought to abandon it," that it was of "no benefit to anybody except the bankers in New York." Another difficulty troubled the Senator: If the notes were received and paid out how could the certificates be redeemed if they were presented. He feared that if the amount of deposits was increased more Government notes would be issued in order to pay them.

He was answered by Senator Chandler, of Michigan, who having been a large merchant, and familiar with the banking business, understood the question thoroughly. He said that the operation of the law was "simply to borrow money by the Government at five per cent. when it was offering seven and three-tenths at the same time. What is this proposition? The bankers propose to take, we will say, \$50,000,000 of these certificates of deposit, bearing five per cent. interest. That is no temporary loan. You do not keep one dollar on hand in order to pay that—not one farthing. It is precisely like the daily operations of a bank of deposit. The bank of deposit receives from day to day, and pays five per cent. interest, but it keeps nothing on hand, because it relies upon the receipts of to-morrow to meet the obligations of to-day. This is precisely the same thing. . . . You propose to pay seven and three-tenths per cent. interest; you are urging the holders of the notes to come and accept seven-and-three-tenths-per-cent. bonds, and now the bankers say, 'if you will give us this kind of security, which we can use in our daily business, we will loan it to you at five per cent.' You are gaining just so much, not losing anything. The notes that are

paid in to-day, you pay out to-morrow. It is an absolute loan to the Government, and amounts to a permanent loan to them at five per cent." The Senator favored an extension of the limit to \$100,000,000.

The limit was extended to \$50,000,000, but in June of the same year the Committee of Ways and Means recommended an increase of as much more. The committee, though opposed to the plan in the beginning, frankly stated that thus far it had "worked very well in practice." Mr. Hooper added that "it had proved advantageous to the community, as well as to the Government, though it had delayed the conversion of the Government notes." To render the redemption of the certificates of deposits more certain, however, one-third of the second \$150,000,000 issue of demand notes was "reserved for the purpose of securing prompt payment of such deposits when demanded." They were to be issued and used whenever, in the judgment of the Secretary of the Treasury they might be needed for that purpose.

This limit was soon reached, and even exceeded before the flow could be checked. The wisdom of accepting these deposits and issuing certificates for them was vindicated when a stringency happened in the New York money market near the close of 1862. Over fifty millions of the deposits were quickly demanded and paid, thereby relieving the monetary pressure. Notwithstanding the large amount withdrawn, only one-fifth of the fifty million reserve fund was used.

Another form of temporary loans consisted of certificates of indebtedness, which were issued to creditors who were willing to accept them "in satisfaction of audited and settled claims against the United States, for debts not less than one thousand dollars." They were payable a year from date, and bore six per cent. interest. The bill authorizing their issue was introduced into the House by the Committee of Ways and Means, and occasioned no debate. The law was enacted February 27, 1862. Nor was anything said during the passage of a subsequent bill providing for the issue of similar certificates to the public creditors who were willing to receive them in payment of disbursing officers' checks drawn on the Treasurer of the United States. In March, 1863, it was declared that interest on them should be payable in lawful money. These certificates circulated to a considerable extent, until the accumulation of interest was sufficient to induce the holders to retain them as an investment. The Secretary of the Treasury issued them simultaneously with the legal-tender notes, and continued to issue them until the end of the war.

By means of temporary loans and legal tenders, beside the ordinary revenues, Mr. Chase was able for a considerable period to satisfy the demands on the Treasury Department. The expectations

concerning the sale of bonds were not realized. The people took the Treasury notes and parted with them speedily; they invested in a thousand ways, but the \$500,000,000 of Government bonds were not absorbed in less time than was needed—in sad truth, were not absorbed at all; only \$9,759,400 were sold during the first five months of the fiscal year 1863. For once, at least, that great war legislator, Thaddeus Stevens, as full of hope as he was of years, had failed in prophesy. In his annual report Secretary Chase said that two defects inhered in the law authorizing the bonds which prevented their sale. One was the provision for selling them at their market value, and the other was the privilege granted to the holders of the Treasury notes to exchange them for bonds at par.

"The effect of these provisions was to make negotiations of considerable amounts impossible; for considerable amounts are seldom taken, except with a view to resales at a profit, and resales at any profit are impossible under the law. Negotiations below market value are not allowed, and if not allowed the taker of the bonds can expect no advance, unless a market value considerably below par shall become established. The Act makes advance above par impossible, by authorizing conversion of United States notes into bonds at that rate." He therefore recommended the repeal of both provisions. The first provision imposed, as he believed, a restriction which Congress did not intend, and the second had been followed by the inconveniences that were feared, and not by the expected benefits. "Convertibility by exchange at will is of little or no advantage to the holder of the notes, for the clauses which secure their receivability for all loans make them practically convertible. Whenever the volume of notes reaches a point at which loans can be effected at rates fair to the country and desirable to takers, loans will, of course, be made, and ample opportunities for conversion offered."

On these recommendations was founded a bill for a loan of \$900,000,000, which conferred extraordinary powers on the Secretary of the Treasury, and "which ultimately," as Mr. Spaulding truly says, "led to a dangerous expansion of credit circulation in various forms, and in connection with the bank bill, which passed about the same time, to an enormous inflation of prices, caused by the over-issuing of paper money, which came very near proving fatal to the finances of the Government and the legitimate business of the country."

During the discussion of the bill one of the reasons given for the small sale of notes was a lack of currency. This reason was founded on the fact that the Secretary had not been able, without much difficulty, to get legal-tender notes on a sale of the bonds and the seven-thirty notes that had been negotiated. This fact, however, was interpreted very differently by others. "His notes did

not go in to be funded in the long loans, because they were made a legal tender," said a very high authority. Another reason given was because they were neither a long nor a short bond, as they were payable after five years if the Government desired. If the time had been fixed or the option given to the lender, the result would have been different; so it was affirmed. But the Secretary believed "that the time and rate of the five-twenty loan authorized were judiciously determined." "No prudent legislator," he adds, "at a time when the gold in the world is increasing by a hundred millions a-year, and interest must necessarily and soon decline, will consent to impose on the labor and business of the people a fixed interest of six per cent. on a great debt for twenty years, unless the necessity is far more urgent than is now believed to exist. The country has already witnessed the results of such measures in the payment, in 1856, of more than four and a-half million dollars for the privilege of paying a debt of less than \$41,000,000 some twelve years, averaged time, before it became due." Subsequent events proved the wisdom of adhering to the plan of short payments and the reserving of the option by the Government. This was one of the most commendable features in Secretary Chase's administration of the Treasury.

Before the bill had passed, the need of money had become so great that more legal-tender notes to the amount of \$100,000,000 were issued. Large sums were due to the army and navy, and complaints were heard everywhere. The House asked the Secretary "to furnish the reasons why requisitions of paymasters in the army are not promptly filled." "No *one*," he replied, "can feel a deeper regret than the Secretary that a single American soldier lacks a single dollar of his pay, and no effort of his has been wanting to prevent such a condition. It is not in his power, however, to arrest the accumulation of demands upon the Treasury beyond the possibility of provision for them under existing legislation. . . . The Secretary, solicitous to regulate his actions by the spirit as well as the letter of the legislation of Congress, did not consider himself at liberty to make sales of the five-twenty bonds below the market value, and sales except below were impracticable."

But while he placed this construction on the law many others did not. Congress, notwithstanding its strong desire to second the efforts of Mr. Chase and to sustain him, was growing dissatisfied with him. On this occasion, Mr. Gurley, of Ohio, whose devotion to the Union was quite as strong as that of the Secretary, remarked after this communication had been received that Congress authorized the Secretary of the Treasury to sell the five-twenty bonds at the market value, which he had not done as intended by Congress; and the consequence was that the soldiers and sailors were not paid, as they ought to have been. "Of course," he continued, "we

do not call in question the motives of the Secretary, or deny his good intentions, but when the Secretary says, in his reply to the resolution of the House, that he had no authority, he was evidently mistaken in his construction of the law. The words, 'market value,' do not mean par value, nor at any specified time or sum. The market value was the price they would bring when offered in the market. There has been no business day or week since the law was passed, when any of the many agents of the Secretary in New York could not have placed one million, or several millions, in the market, and sold them somewhere near par, to raise money to pay the army and navy."

A joint resolution was passed declaring that steps be taken immediately by the Treasury Department to pay the soldiers and sailors, and that a preference should be given to this class of creditors. Sixty millions were needed for the purpose. The Secretary of the Treasury was consulted, and he thought the legal-tender bill might give temporary relief, but he added, in a communication to the Finance Committee of the Senate when returning the joint resolution mentioned, "it should be regarded, however, only as an expedient for an emergency. No measure, in my judgment, will meet the necessities of the occasion, and prove adequate to the provisions of the great sums required for the suppression of the rebellion, which does not include a firm support to public credit through the establishment of a uniform National circulation, secured by bonds of the United States."

This was his pet measure from the beginning until its adoption for raising money to carry on the war. Secretary Chase was persistent, and having made up his mind, as he said, with reference to issuing legal-tender notes, he did not hesitate afterward. But why did he rely so strongly on this measure which he knew Congress was reluctant to pass and which the banks opposed, and make such feeble efforts to sell the five-twenty bonds? Because, he said, "negotiations below market value were not allowed, and if not, the taker of the bonds could expect no advance, unless a market value considerably below par shall become established." But this construction certainly was not the one Congress intended. Mr. Gurley correctly stated the intention of that body. The members intended that the bonds should be sold at their "market value." Mr. Chase refused to sell them unless he could get par. The consequence was, that selling none, the Treasury Department ran ashore, and \$60,000,000 of indebtedness accumulated before any relief could be given. The soldiers and sailors complained and suffered, the country trembled and feared, and the financial ability of the nation was terribly shaken. Mr. Chase, however, had the satisfaction of holding fast to his bonds, even if he should by so doing shipwreck the Treasury. Had he sold the bonds as he ought, and as Con-



gress expected he would do, the public debt would not have accumulated; by refusing to do this, through inability to get as much as he desired for them, he paved the way for issuing more greenbacks—a step that he greatly deplored. A financier never lived disliking a financial system or policy so strongly as Mr. Chase, who, nevertheless so persistently followed it, and who with equal persistence continued to take those steps which would compel him to follow it. He forced himself unwillingly into the trap, and was continually weaving the web tighter, thus making release more and more difficult. A sadder example of financial helplessness has been rarely seen.

The bill authorizing this issue of \$100,000,000 of legal-tender notes was different from either of the preceding measures relating to the subject. Authority was granted by a joint resolution, which was first passed by the House, and in which the Senate concurred by a vote of thirty-eight to two. The Secretary was authorized, "if required by the exigencies of the public service, to issue on the credit of the United States the sum of one hundred million dollars of United States notes, in such form as he might deem expedient, not bearing interest, payable to bearer on demand, and of such denominations, not less than one dollar, as he might prescribe, which notes thus issued should be lawful money, and a legal tender like similar notes previously authorized, in payment of all debts, public and private, within the United States, except for duties on imports and interest on the public debt; and the notes so issued shall be part of the amount provided for in any bill now pending for the issue of Treasury notes, or that might thereafter be passed by Congress."

President Lincoln signed the bill, but while doing so thought his duty required him to express his sincere regret that it had been found necessary to authorize so large an additional issue of United States notes when their circulation and that of the suspended banks together had already become so redundant as to increase prices beyond real values, thereby augmenting the cost of living to the injury of labor and the cost of supplies to the injury of the whole country.

It seemed very plain to the president that continued issues of United States notes, without any check to the issues of suspended banks, and without adequate provision for the raising of money by loans, and for funding the issues so as to keep them within due limits, must soon produce disastrous consequences. He favored the adoption of the National bank system, and "a reasonable taxation of bank circulation" to prevent the deterioration of the paper money of the country. But Congress had already made "adequate provision for the raising of money by loans;" the failure to get it was Mr. Chase's, who would not execute the law because people would

not give quite as much for the bonds as he thought they ought.

Congress should have been warned by the singular misconstruction which the Secretary had placed on the law suspending the Sub-Treasury regulations, and on that relating to the sale of five-twenty bonds, to frame the laws regulating the finances as plainly as possible, granting to him no more discretionary power than was absolutely necessary. Nevertheless, in the clear light of what the Secretary had done, and realizing to some extent at least the greatness of his blunders, Congress passed another loan bill which conferred larger authority on the Secretary than any previous measure.

The bill was approved in March, 1863, and authorized a loan of \$300,000,000 for the current year, and \$600,000,000 for the succeeding fiscal year. The bonds were to be issued for not less than ten, nor for more than forty years, and the interest was not to exceed ten per cent. The second section of the act authorized the Secretary to issue \$400,000,000 of Treasury notes, payable within three years, bearing no higher interest than six per cent., payable in currency at certain periods. They might "be made a legal tender to the same extent as United States notes for their face value, excluding interest," if the Secretary should think advisable. If issued, they were to be in lieu of the bonds above mentioned. By the third section, legal-tender notes similar to those first authorized, if required by the exigencies of the public service for the payment of the army and navy, and other creditors of the Government," might be issued to the amount of \$150,000,000. The restriction pertaining to the sale of the five-twenties at their market value was repealed. The law also provided that "the holders of United States notes issued under former acts shall present the same for the purpose of exchanging them for bonds as therein provided, on or before the first of July, 1863, and thereafter the right to exchange the same shall cease and determine." The seventh section imposed a tax of one per cent. each half-year on the circulation of the State banks.

This law was quite unlike the bill submitted by the Secretary of the Treasury in compliance with the request of the Committee of Ways and Means and afterward rejected by them. His bill clothed him with extraordinary power to make loans. In a letter accompanying it he said, that "under it the Secretary would have power to borrow money in any of the ordinary forms, or, if exigencies required, to make additional issues of United States notes." While the bill reported by the committee was in the lower House, Mr. Hooper offered as a substitute the Secretary's bill somewhat modified and embodying ideas derived from several sources, especially from James Gallatin of New York, and Messrs. Stevens and Spauld-

ing of the Ways and Means Committee. The leading feature in his bill was to increase the authority of the Secretary to borrow money. By it he was authorized to borrow \$900,000,000, and issue bonds therefor, or three years' Treasury notes bearing six per cent. or less interest, and which were to be a legal tender for all debts except duties. Mr. Hooper contended that if the bill of the committee were adopted, in which the amount of Treasury notes was limited to \$400,000,000, the Secretary had not the power to convert them. There was danger of a panic or run on the Treasury at some time. Knowing that the Secretary had not more than one-half of the amount necessary for that purpose, every man might try to reach the Treasury first to get his notes converted. He contended that the bill would be imperfect unless containing the power to issue an amount of legal-tender notes at least equal to the power of conversion which had been given to the notes issued on time.

Several extraordinary propositions were maintained during the debate, among which may be mentioned: first, that more legal-tender notes were needed to transact the business of the country; and, secondly, that the preferable policy for the Government was to sell its bonds at par, and to inflate the currency, if necessary, to effect this end, instead of selling them at a lower rate and leaving the volume of currency unchanged. In other words, if the currency were made poor enough, the receivers would exchange it for bonds. As the Government could force it into the hands of creditors they would certainly buy bonds with it if these were the best things that could be obtained in exchange. The Government might, indeed, debase its currency to any extent, and compel creditors to take it; but the Government could not easily compel persons to furnish new supplies. If, therefore, the policy should be adopted of depreciating the currency in order to induce the receivers to purchase bonds, nothing was more certain than an advance on the price of whatever they sold to the Government in order to insure themselves against loss by depreciation. Congress entrusted the Secretary with the power to dispose of the bonds at any time on such terms as he might deem most advisable.

Having been entrusted with unusual authority for borrowing money, we will proceed to show how he exercised it. When the Government attempted to sell the seven-thirties in the summer of 1861, Jay Cooke rendered himself conspicuous by the amount of subscriptions he secured, which was more than one-fifth of the whole. This success attracted the attention of Mr. Chase, who now employed him as general agent to negotiate the bonds. He advertised extensively, and employed sub-agents in all the chief towns and cities in the loyal States. He was paid a commission of one-half of one per cent. on the first ten millions, and three-eighths of one per cent. on subscriptions beyond that amount for

selling them. The editors of the newspapers and others were enlisted to bring the advantages and importance of this loan before the people. Mr. Cooke's success was great. The loan became very popular, and was taken by all classes throughout the country. By the first of July, 1863, bonds to the amount of \$168,880,220 were taken, three months afterward the amount had swelled to \$278,511,500, and by the twenty-first of January following the whole sum had been subscribed at par, and the rush was so great at the end that nearly \$11,000,000 had been subscribed and the sum paid therefor before notice could be given to sub-agents that the whole amount authorized had been taken. Congress afterward authorized the issuing of this additional amount. "This successful funding of five-twenty six-per-cent. bonds," says Mr. Spaulding, "showed conclusively that it was not necessary to inflate the currency any further in order to raise the means to satisfactorily prosecute the war. The six-per-cent. bonds would furnish sufficient inducement for people to take them at the rate of from \$1,500,000 to \$2,000,000 a day, which was about the amount required to pay the daily expenses of the Government. It looked as if the limit of paper money expansion had been reached; that the greenback currency would not further depreciate below the standard of gold; and that the price of commodities would not continue to advance." The flood-tide probably would have risen no higher had not a very extraordinary finance minister, especially for such a time in our history, been at the head of the Treasury Department.

When the last of these bonds were sold in 1864, the Secretary ought to have put the ten-forties on the market and offered the same rate of interest. If he had, they would have been eagerly taken, for they ran ten years instead of five before the Government could redeem them and were therefore a better bond for the people to buy. Had he done so, all the money needed would have been easily obtained. Instead of pursuing this obvious policy, Secretary Chase, without taking advice, and contrary to the opinion of the wisest men of the time, boldly determined to try an experiment. Though he had now been at the head of the Treasury Department more than two years, he had learned but little, and was just as unwilling as ever to listen to an adviser. He had not yet found out that in times of great public trial, financial experiments, as far as possible, ought to be carefully avoided. During the war of the Revolution the leaders were obliged to resort to every device to raise money, but when they found a good way for raising something they did not foolishly abandon it for another. Capital is always shy, never more so than when things are unsettled, and Mr. Chase, ought not to have experimented with the lenders of capital at such a time if any other course were open to him. He now proposed to do a brilliant thing, though warned not to attempt it.

He proposed that the ten-forty new bonds should be issued bearing five per cent interest. What was the consequence? Bond-buying suddenly stopped. Nobody wanted them at that price. Only \$73,337,750 were taken between the twenty-first of January, 1864, and the first of July following, when the Secretary retired from his management of the Treasury. This amount was taken mostly by banks as a foundation for the National banks which were now organizing. After trying the market for a short time, and discovering his mistake, the Secretary ought to have acknowledged it, raised the rate of interest, and sales would have been revived. But Mr. Chase would not acknowledge mistakes. He resorted to an exceedingly costly device to cover his great blunder. This device consisted in diluting the currency to such a degree that the people would take the bonds. Undoubtedly if a doctor has a patient who at first is not sick enough to take medicine because the taste is disagreeable, he can be made sufficiently sick to take the most distasteful medicine just as quickly as he would the nectar of the gods. Secretary Chase proposed to dose the people with legal-tender notes until they would readily take his ten-forty bonds at five per cent. interest. None are so bold on such occasions as those who have no comprehension of the probable or inevitable consequences of their action. His daring was that of a child which moves in joyous ignorance amid great peril.

Accordingly the policy of further inflation was begun. That we have not in the least misinterpreted Secretary Chase's intention is clearly shown by the following extract from a letter written by Mr. Spaulding on the eleventh of April, 1864, to a banking house in New York: "It has been supposed that by this policy of inflation a five-per-cent. ten-forty bond might be floated nominally at par. Funding the present excessive floating debt at five per cent. interest is better than not to be funded at all, and I hope that the bonds now offered at five per cent. may be taken up rapidly, and that the evils of the present inflation may be removed; but I fear the conversions will not be rapid enough at this rate of interest. The bonds do not seem to be readily taken as yet by the people. It required the printing and paying out of \$400,000,000 of greenbacks before the five-twenty six-per-cent. bonds could be floated easily at par, and it will probably require the circulating paper issues of the Government, now amounting to about \$675,000,000, to be increased to \$680,000,000 or \$700,000,000 before the people will be induced to take five-per-cent. bonds, in order to get rid of the surplus circulation that may accumulate in their hands, that cannot be more profitably invested in other modes."

[TO BE CONTINUED.]

## STOCK CLEARING.

[CONTINUED FROM THE FEBRUARY NUMBER.]

## 7TH. THE CLEARING-HOUSE OF THE CHICAGO BOARD OF TRADE.

There is one more clearing-house which merits notice under this heading, although it is not strictly a stock clearing-house, because it clears cash only. But as it is not a bank clearing either, nor similar in method to such, and belongs to a brokers' exchange dealing in certificates of value (warehouse receipts and contracts for future delivery, called "futures") it is entitled to this classification.

The Board of Trade is a grain, produce and provision exchange. Probably nineteen-twentieths of the business done is in futures. The Clearing-house is a part of the Board of Trade. It is under the supervision of a committee of three, selected from the board or directors. The force at present employed is a manager, assistant manager, ten clerks, and a messenger.

When several brokers have bought and sold the same day the same lot of grain for the same month's delivery, they form what is called "a ring." That is, the transaction is traced from the first seller through the different buyers up to the last. If the last buyer proves to be the first seller it forms a "ring," so called because it ends where it began. All of the transactions are then settled at once, instead of being carried through to the time of maturity of the contracts, by each party paying to, or receiving from, the other the difference between the price at which he bought and the price at which he sold the lot. For instance, A sells to B 1,000 bushels of wheat @ 90c. for July delivery. B sells the same lot to C @ 91c.; C sells to D @ 92c., and D sells to A @ 93c. Ordinarily in this case there would be four contracts. 1st, A to B; 2d, B to C; 3d, C to D; 4th, D to A. By employing the ring method all these contracts are cancelled at once by a cash settlement, as follows: A sold @ \$900, bought @ \$930; loss, \$30. B bought @ \$900, sold @ \$910; profit, \$10. C bought @ \$910, sold @ \$920; profit, \$10. D bought @ \$920, sold @ \$930; profit, \$10. A, therefore, pays to B, C and D \$10 each—total, \$30, the amount of his loss. This is, in itself, a form of clearing. If, however, the last buyer proves to be another party than the first seller, no ring is made, and no cash settlement can consequently be effected. But in the example given, four contracts must be executed by and between the parties.

The Clearing-house does not take cognizance of these or any other transactions on 'change, but merely offsets against each other the differences in cash arising out of these settlements, and such



other cash payments as may be due from one dealer to another. In this method the "report" (or "statement"—the terms are used synonymously) is printed on a sheet of paper twenty-one inches wide and nineteen inches long (from top of page to bottom). It contains five columns of names of members printed — 425 in all. On the left-hand side of each printed column is a ruled dollar column, headed, "We claim from," and on the right-hand side of the printed columns, a similar dollar column headed, "We owe to." The net balances due from or to the other brokers on that day's business are entered on the report in their respective columns opposite the name of each party, and the difference between the totals ascertained. This difference is carried to the top of the page; on the right side—"We owe a net balance of \$—," or, to the left side, "We claim a net balance of \$—," as the case may be.

The reports are required to be presented at the clearing-house at or before 11 A. M., and a fine of ten dollars is imposed for tardiness: if prolonged to 12 M., the delinquent is posted on 'change. As the reports are received the net balances at the top of the sheets are transcribed by the clearing-house clerks to the "clearing sheet." For this sheet the same form is used as for the members' reports. A report is taken and cut into ten parts, each containing about forty names, and distributed among the ten clerks. When the clerical work on them is finished they are returned to the manager, reunited into a single sheet, and filed away. If there are no errors, the footing of the two columns will be equal. The amounts in the left-hand corner will indicate the certified checks to be received from members; those in the right-hand column the checks to be drawn by the clearing-house and paid out to the other members. That done the clearing of the day is finished. The manager says: "But among so many houses having so many thousand amounts to clear, some errors are inevitable, and these the clerks must find. These errors occur in—

- "1. Addition and subtraction.
- "2. Claiming where nothing is allowed.
- "3. Claiming more or less than is allowed.
- "4. Allowing where nothing is claimed.
- "5. Allowing more or less than is claimed.
- "6. Placing amounts against the wrong names.
- "7. Claiming a credit balance where there is really a debit balance, and *vice versa*.
- "8. Paying a check for more or less than the balance due."

This is practically the same as the analysis on another page, differently expressed.

This Clearing-house was opened September 23, 1883. In the first nine months it settled 1,475,960 claims, amounting to \$112,163,000. The number of checks received and paid out in these operations



was 76,500, representing \$29,536,000. Before the establishment of the Clearing-house the same amount of business would have required more than 740,000 separate checks, amounting to \$112,000,000, to pass through the accounts of the banks of Chicago. The largest day's business of the Board of Trade, since the opening of the Clearing-house, was on April 5th last. The sales made aggregated \$25,000,000 in round numbers. The total clearings were \$1,707,000; balances, \$548,700; number of items, 10,258; number of houses clearing, 342; number of errors, 45—and the clearing was finished by four o'clock.

This method is the design of Mr. Charles H. Lunt, the present manager, to whose efforts is mainly due the introduction of the system against much opposition. He further says: "No fault is found now; every one likes it, and I do not think the institution will ever be abolished as long as the Chicago Board of Trade deals in futures. The opposition at first arose solely from a misunderstanding on the part of some as to the end sought and how to obtain it, and its worst opponents at first are now its strongest advocates. I am constantly congratulated upon the grand success of the institution."

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#### 8TH. UHLER'S METHOD.\*

The foregoing comprise all the methods of stock clearing that have been employed in this country, except one. A thorough examination of those described will show that there is still room for improvement in them. In the first place, all of them have the defect of being subject to the easy commission of errors, errors of half-a-dozen different kinds. This involves not only direct expense in the operation of the clearing-house, on account of the increased force necessary to provide for their detection and correction, but also danger of indirect loss by injurious delays or perhaps total failure of the clearing. The settlement is sequent only to the proof of the correctness of each dealer's account, and the agreement of each dealer's claims with those of every other dealer. This liability to error is an element of such uncertainty that no positive assurance of completing a clearing within the required time can be given.

In the second place, they possess a feature which renders them unsatisfactory to the dealers, and furnishes the principal ground for opposition to stock clearing in general. It is that which requires from the dealer the full statement of the particulars of all his transactions. This is not so important an objection in small exchanges; but in one doing a metropolitan business, and whose quotations are the indices for all other exchanges, it seems to be fatal to success. I do not mean that this feature of itself renders such a method impracticable, but that it is fatal to success in the sense that it destroys the usefulness of clearing to the leading operators, without whose patronage a clearing is of little service to the others. (The

\* Patented, February, 1881.

more general the use of the clearing-house, the greater is the advantage to the individual. If all transactions are cleared, the whole day's business of each dealer is settled with one delivery and one check, but if some transactions are with non-members or parties refusing to clear, each one of these will require almost as much clerical labor in their settlement as the whole number which are cleared.) To commission brokers the submission of a statement makes little difference. But the success of many of the large operations in the stock market is dependent partly upon the secrecy of the transactions of the dealers. Perhaps it would be better for the public interests if this were not so, but we are not discussing the ethics of the matter. These are the facts as we find them, and we must meet them. Whether well founded or not, the brokers have strong fears of personal injury in giving a corps of clearing-house clerks the advantage of comparing all the transactions of the whole exchange and drawing conclusions therefrom. They believe that the temptation to gain a sudden fortune, by bartering the information a clerk might obtain, ordinarily too great to resist. What is wanted, therefore, is a method which will not give the clearing-house clerks such an advantage nor expose them to any temptation, a method which can dispense with the submission of the statement, but by which all errors can nevertheless be detected, and more positive assurance be given of the prompt completion of the clearing.

In "the settlement" the first mentioned defect is not so great as in the other methods, because shares only being dealt in the figures employed are materially less, and the liability to error proportionally so. But the result is also less, the clearing-house performing about one-third only of the work of clearing. Besides, it is offset by a defect in another respect—in the requirement of settling each transaction at an arbitrary price and paying differences. This complicates the dealers' system of accounts instead of simplifying it, and to some extent neutralizes other advantages gained. Every well-regulated house will keep a record of its transactions at the prices at which they were actually made, and prove its correctness by "comparison." This method requires it to keep another record of the same at the settling prices, the amounts paid upon the receipt or delivery of the shares; also, a third of the differences paid to or received from the parties with whom the transactions were originally made.

The method described below was originally designed for the American Mining Stock Exchange of New York. It was in successful operation for eight months, from May 1, 1880, to December 1 of the same year. The exchange was the creature of the Mining Trust Company, as was the clearing-house also. The clearing of transactions made by members was compulsory. In December a change took place in the management of the Trust Company, and an injudicious increase in the charges for clearing was made, which

amounted to prohibition. This the brokers resented, and in the conflict between the two bodies, the clearing-house was left without business. While it was in operation, the number of different securities on the list of the Board was sixty-three: average daily clearings in thirty-five; average number of shares cleared monthly, 1,200,000; balances, 250,000 to 300,000; largest number of shares in one day, 110,550; balance, 30,100, all in one-hundred share certificates. The force employed was a manager, teller, clerk and messenger. At this time the old forms of tickets and statements were used, and the "reports" only of the new form. Statements and tickets were required to be handed in by eleven o'clock, certificates of stock and certified checks for cash balances before one o'clock, and payments of balances were made at two o'clock. As a matter of fact, however, payments were almost invariably made before that hour, and there was no occasion when there was any delay beyond the hour. The "adjustment," that is, the verification of the correctness of the statements and clearing sheet, usually required five or ten minutes, and was frequently made in less time than that. The experience gained there has, however, resulted in several improvements which are described in detail. The method has been adapted to the use of two different kinds of exchanges:

*First.*—Stock exchanges, where the dealings are in a number of different securities.

*Second.*—Petroleum or other exchanges where the dealings are in one security.

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## FORESTRY.

A Forestry Commission appointed by the State of Vermont in 1882, has recently submitted a report. They say that in the older parts of the State, from eighty to ninety per cent. of the original forests has been cleared off, but that the diminution is now nowhere great; while in the Southern portions, there is an actual increase of wood, it having become profitable to devote old pastures and abandoned lands to the growth of it. The new trees which are coming forward differ in kind from the primeval forest, and have less intrinsic value, as distinguished from money price. The replies to their circulars are quite unanimous in stating, that the water supply tends to grow smaller, that many springs and streams frequently fail which never did so in former times, and that the cause of these changes is the diminished area of forest growth. They report that there are now some lumbermen who have given up the old, wasteful practices, and are cutting their timber in economical ways, and with a view to preserving them as a source of permanent income.

As wood becomes more valuable we shall see it everywhere husbanded, as this commission report it as beginning to be in Vermont, and as it is well known to be in Massachusetts. The self-interest of land proprietors is the great thing to rely upon, but this cannot be brought into play until there is a certain degree of scarcity of timber, and until its preservation becomes profitable to the individuals who own it. This will happen in this country long before there can be anything like an exhaustion of its forest resources.

The Vermont Forestry Commission recommend no other legislation than such a change in the laws as will visit punishment upon the careless, as well as upon the malicious setting of forest fires, and the exclusion of saw-mills from the benefits of the exemptions from taxation allowed to manufacturing establishments. As such exemptions are in the nature of bounties in favor of industries supposed to be specially beneficial to the public, Vermont may well withdraw them from saw-mills, if it comes to the conclusion that its forests are being too rapidly depleted.

The report of the Vermont Forestry Commission strikingly illustrates the impolicy, not to say impossibility, of making the preservation of timber a matter of National legislation, except in so far as the National Government may regulate the cutting or planting of forests upon the public lands of which it is the proprietor. The situation of the several States is entirely dissimilar in respect to excess or deficiency of wood, and the same laws which might be wise in some of them, would be certain to be most unwise in others. In that aspect, the suggestion of a National Bureau of Forestry is thoroughly inopportune and unfitted to the circumstances of the case. What is needed is State supervision, which can adapt itself to the completely diverse wants of localities.

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A WELL-KNOWN FORGER.—George A. Vincent, alias Charles Perrin, alias Williamson, an exceedingly expert forger, convicted of attempting to swindle the St. Louis National Bank out of \$6,500 by means of a forged letter of credit, has been sentenced at St. Louis to ten years in the penitentiary. Perrin was convicted in New York city in 1876 of the forgery of New York Central Railroad and Buffalo, New York and Erie Railroad bonds, in 1872, by which the former realized \$800,000. Williamson was not arrested for four years. He was arrested while trying to pass a lot of 7 per cent. gold bonds of the Central Pacific Railroad, California and Oregon branch, on Rollins Brothers, bankers. His trial for the various gigantic forgeries resulted in a sentence of ten years' imprisonment, but having served a term in Sing Sing for burglary under the name of Stevens some years previous, the charge of "second offence under the law" was preferred against him in connection with the trial for the bond forgeries. On this charge of second offence he was given five years additional. Six months after his incarceration, he succeeded in making his escape. He fled to England where he was arrested for extensive bank forgeries and sentenced to ten years' imprisonment at Dartmoor.

## BI-METALLISM.

The following is a translation from the *Economiste Francais*, of a letter written by Mr. Emile de Laveleye on the above subject :

DEAR SIR,—In speaking of the depreciation of silver you seem to attribute it solely to the increase in the production. You make no mention of the partial cessation at the beginning of 1871, and at the beginning of 1873, or of the complete withdrawal of the demand in Europe.

I share this opinion with the London *Economist*, which attributes the depreciation of silver solely to the cessation of its employment as money, that is to say, by legislation.

"It was the pressure of the German silver on the market, coupled with the removal of the demand by the Latin Union, to which the ratio of value between silver and gold from 1876 to 1880 is to be attributed, 4th June, 1881." This is proved clearly, because first in view of the demonetization of silver in 1870. This metal nevertheless reached at its highest point the very exceptional price of 60½d., whereas in 1872, after the German demonetization, which was the first blow, it is again quoted at one time at 61½d. Further, it is evident that so long as the Paris Mint would convert 200 francs per kilo standard into gold (and moreover France had the gold) no one would sell under this price without exceptional cause.

You assume that the price of silver quoted in London has fallen 4 per cent. from the month of May, 1859, to the month of May, 1870. If I take a complete table of the prices of silver, I see constant fluctuations from year to year, from month to month, resulting from the variation in exchange, as Mr. Seyd has shown by his accurate figures.

Thus the highest and the lowest prices in 1870, when the annual production was about 400 million francs, were higher than those of the years 1827 to 1855, when the production was not more than one-half.

In the table of average prices of silver drawn up by M. Soetbeer I find thus:

1841 to 1850.....	59½d.
1851 to 1860.....	61½d.
1861 to 1870.....	60½d.
1871 to 1873.....	60d.

Thus, even after the German demonetization, silver is dearer than during the decade of 1841-50.

I now come to the chief point, and here at the outset we are in accord. The production you say of 520 to 550 million francs gold is distributed thus:

200 millions for Industrial uses.
20 "
120 millions for export to the East.

There remains a hundred millions to increase the currency amongst the civilized world. I arrive at the same result, but by a little different calculation. I reckon with Messrs. Otto Arendt, Muhlhall, and Ottomur Haupt, somewhat less production than 500 mil-

lions; but, on the other hand, I do not think the exports to the East are as much as you put them down at.

The question, therefore, is this: Are 120 millions of francs sufficient to satisfy all the monetary wants of the civilized world, including America, Australia and Japan? As you show yourself, by the most reliable statistics, gold has entered upon a period of decrease in the production, while the consumption has increased rapidly and progressively; nevertheless you think that this 120 millions will be sufficient, and you give two reasons—first, that the production of gold exceeds 500 million francs, although under Louis Philippe it only amounted to 200 million francs; secondly, there is more economy in the use of metallic currency by the adoption of substitutes. As to the first point, it must not be forgotten that, under Louis Philippe, to the 200 million francs of gold must be added 212 millions of silver; so that the total is very nearly what we are dealing with; and, further, the commerce of the civilized world was not one-quarter of what it is to-day:

499	millions sterling in	1840
747	"	1880
2,688	"	1880

In 1870 there was available for coinage and industry annually one milliard of silver and gold. Silver being thrown aside, we are roughly brought back to half. We at the present day have effected more economy than was formerly known in metallic currency; but our progress in this respect is relatively trifling to this diminution of one-half in the supplies of the precious metals.

Again, these 120 million francs available to carry on and increase the currency—have they even reached Europe? Of late years there was a large quantity always kept back by the two great producing countries, viz., Australia and, more particularly, America. The reason is easy to see. Their population increases rapidly, and they open out new territories where metallic currency is more necessary than paper. Not only does America keep a hold on its own gold, but it draws enormous sums from Europe. One must recollect that the drainage from Europe between 1879 and 1880 attained alarming proportions. There was taken away in these two years £41,850,142 sterling, which is more than double the total annual production. At this moment even London keeps up the high rate of discount to prevent a fresh drain of gold. And even more astonishing to note, at the commencement of the year, £920,000 sterling was sent from London to Australia.

It remains that we have before us an undeniable fact, that from 1851 to 1870 the coinage of gold and silver amounted to about 900 million francs yearly in Europe. To-day there is next to nothing coined, and everywhere there is stagnation in the mints.

France coined from 1850 to 1870 from 250 to 300 millions of gold and silver annually; now, gold not arriving and silver being discredited, look at the recent statistics of coinage:

<i>France.</i>				<i>England.</i>				<i>Belgium.</i>			
1879	..	24 millions.	....	1879	..	£ 37,613	....	1879	..	<i>nil.</i>	
1880	..	<i>nil.</i>	....	1880	..	4,154,604	....	1880	..	"	
1881-1883	..	"	....	1881	..	<i>nil.</i>	....	1881	..	"	
1883-1884	..	"	....	1882	..	"	....	1882	..	10,446,20f.	
				1883	..	1,435,228	....	1883	..	<i>nil.</i>	

The 10 millions in 1882 being German gold converted into Belgian gold money, did not increase the stock in Europe. Also the

millions of gold coined by Italy have been taken in a great measure from the coinage of other countries. Here, then, is a fact without precedent, the discrediting of the metallic currency, which has been in use for centuries, viz.—silver.

The producing countries keep their gold, and the coinage falls to next to nothing in Europe. Is this to continue? Generally the bullion comes back on account of the high prices in the country which imports, and the low prices in the country which exports it.

But in this case the 120 million francs annually available will probably be absorbed by America and Australia, without affecting prices.

Absorption of gold by the United States will be increased to about 220 million francs per annum, whenever the Bland Bill is suspended, which issues this sum in silver, going into circulation in the form of certificates.

What is to happen if Austria also makes up her mind to establish a gold standard? It will require, as in Germany, a milliard and a-half of the yellow metal. She will absorb then, deducting what she already possesses, the equivalent of 120 millions available during ten years; or rather, like Italy, she will take this sum from the already reduced stock in other countries in Europe. Is not the monetary contraction shown by the figures cited above, and moreover by the important works of M. Otto Arendt, which I have not space to quote here; is there not in this fact, I ask, a contributing cause to an actual crisis?

I have not made the lengthy and careful calculations necessary to answer this question; but that there is a universal fall in prices, and that it is due to the increasing contraction of the currency, is the opinion of the more competent English authorities—Messrs. Giffen, Goschen, Gibbs, Grenfell and Thorold Rogers.

Others, according to the general principles of economy, would come to the same conclusion which the Economists—Wolowski, Seyd and myself—have propagated for some time past. Prices depend on the proportion which exists between the values of goods to be exchanged and the instruments of circulation, cash and credit.

At a time when the commerce of the world increases rapidly, when new countries absorb the coinage, and when the production of gold decreases, we throw aside silver, which up to 1870 was the principal monetary metal in the whole world, except England, and as a consequence the coinage in Europe falls to one-tenth of what it had previously been. How, then, can there fail to come a fall in prices in spite of the increases (which is a very slow affair) in the instruments of credit, which are based and dependent on cash? The suspension of the Bland Bill will soon give us a complete experience of gold mono-metallism.

Surely there will be always enough of currency, because prices falling on account of the scarcity, we must carry on exchange with less money; often we shall pass through international crises, to arrive finally at a general fall in values leading to the ruin of all debtors for a long time. Debts, for example, such as States with their public debts of 120 millions, companies with debentures, land and houses with mortgages.

Baron Reinach and M. Otto Arendt have shown besides that the depreciation of silver contributes to the agricultural crisis, because Indian wheat is exported to Europe, payable in silver in India, in

gold in Europe, and therefore enjoys a bounty of 17 to 18 per cent.

In 1881 I announced as a result of the fall in prices a revived tendency to protection duties. I call to mind what was written by Sismondi at a crisis similar to this. "The protective system which takes hold of public opinion to-day is the distress that is everywhere pressing upon those who desire its adoption." Do not these words represent the state of matters to-day?—Yours truly,

LIEGE, January 2.

EMILE DE LAVELEYE.

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### THE CONGRESSIONAL BANK.

The bank in the Capitol where the members of Congress receive their salaries is an interesting place, and I spent an hour in it to-day watching the members come in with their checks and go away with handfuls of fresh, new greenbacks. Members of Congress are always paid in new money, which is brought here fresh from the printing presses, and none of which has ever been used. The Sergeant-at-Arms is the President of this bank, and he has entire charge of all money payments to Congressmen. It is located in the north side of the House wing, just next to Speaker Carlisle's private room, and its appearance is much like that of an ordinary banking room. It is a long, hall-like room, with a high, vaulted ceiling and walls calcimined in a light pink. As the door opens you step into a carpeted space like that in front of a narrow bank, and at your right is the counter, with its high wire network and its little dog-hole spaces through which the teller and the cashier do their business. On the left of this, opposite the counter, are desk shelves fastened up against the wall, on which the racks holding checks in blank directing the Sergeant-at-Arms, United States House of Representatives, to pay to bearer—dollars and charge to the account of—, Congressman. Back of the counter is the bank safe, which usually holds from \$50,000 to \$75,000 in greenbacks and which pays out from \$10,000 to \$11,000 every day. During the year it contains about \$3,000,000, and many of the members use it as a place of deposit. Washburn, of Minnesota, used to have at times as much as \$50,000 in that safe. Now that so many of the Washington banks are failing, Congressmen prefer to leave their money here and check on the Sergeant-at-Arms.

This bank of the Capitol does a regular banking business as far as the members are concerned. It deals with no others. A Congressman can check on it and it will cash his drafts and receive his deposits. His salary is due him in monthly payments, and he cannot overdraw. Every month \$416.66 is put to his credit here, and this is pretty rapidly checked out. Some members check their money out as fast as it comes in. Others take it in \$5 bills, and a bill at a time. Some draw but a little, and instances have been known of Congressmen taking nothing until the close of the year. None, so far, have refused to take their salaries. If a Congressman dies, his salary stops at his death, but it is now the custom of Congress to vote his widow a year's extra pay. As to mileage, each Congressman gets forty cents a mile each session for the distance from his home to the Capitol, and this pay ranges all the way from \$3.80 to \$1,600, according to the distance. Mr. Oury,



the Territorial Delegate from Arizona, gets \$1,600 a year mileage in addition to his salary. When it is remembered that this is enough to pay one passage around the world, and that you can go from New York to San Francisco for less than one-eighth of it, it seems a good deal. Congressmen are allowed \$125 a year for stationery. The Sergeant-at-Arms' Bank also attends to this. Most of the members do not use all of this and they are entitled to draw out the balance. This bank must keep their accounts of this as of other things. It does so carefully, and has a complete set of books which must be balanced every morning—journal, ledger and cash-book. If a cent is wrong, the whole must be gone over with, and good business men are needed for the work. The money used is brought up from the Treasury in a bag, \$10,000 at a time. A policeman accompanies the messenger, and the bank is so carefully guarded that, as far as the present clerks remember, they have never heard of a burglary being attempted.—*Cleveland Leader*.

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### CHANGES IN THE COMMERCIAL WORLD.

"The closer attention to the details of business," says the *London Times*, in its money article of a recent date, "which the greater competition of these times necessitates, hardly allows those engaged in the thick of commercial affairs to take due note of the effects of the reforms which scientific discoveries have of late years established in their midst. It was hardly perceived at the time what a revolution in the business of distribution followed the laying down of every line of railway, and the revolution which has much more quickly followed from the extension of the electric telegraph to every capital of importance in the world, and to nearly all the minor centers of trade and production, is now hardly realized even by the more intelligent among us. The introduction of the railway, it is well known, struck a blow at prices, the beneficial effects of which, although struggled against by monopolists ever since, have continued to be felt uninterruptedly by consumers. The consumer then had the chains, which the merchant prince had forged round him, partially struck off by Watt and Stephenson, and the inventors of the electric telegraph have already so completed the work that the middleman to-day wanders up and down the old haunts, such as Mincing Lane, cursing the scientific discoveries which have relegated him to the limbo of the stage coach. For years past all the great articles of colonial produce have steadily fallen in value, notwithstanding the most ingenious efforts and the employment of every device that the middleman could conjure up in response to energies stimulated by despair. In a word, electricity enables the user of jute at Dundee, for example, to shake hands with the producer in India over his head and he has practically in his former capacity no *raison d'être*. In all departments of business the same change has taken place. The cause is known, because nobody with eyes to see the army of telegraph boys rushing during business hours up and down every street in the city can fail to observe it, and the effect has long been marked by those whose chief business is to note, on the one hand, the advent of new houses, whose members are young enough and enterprising enough to shape their efforts to meet a new order of circumstances, and, on the other, the waning influence of worked-out firms." Much, if not all, of

what is said here is applicable, with but little change to San Francisco. The railroad and the electric telegraph have revolutionized the methods of business on this coast and promise to revolutionize them still more. We must adapt ourselves to the new order. Instead of fearing the advent of every new railroad that reaches the coast, we should prepare ourselves to take advantage of whatever facilities it offers for the prosecution of business. Our merchants should look ahead a little. They should buy when the market is low and sell when it is high. The present is a favorable time to purchase, as many articles are lower now than they will be in months again. When they have to go to the Eastern manufacturing centers for goods they should go direct to the manufactories and purchase at bedrock figures. Then they need not fear railroads to any of the great Pacific Coast centers, as these would be but the channels by which they could distribute their merchandise more cheaply than any who buy at second hand, or who lack our capital or other means of purchasing cheaply.

Then again, we should by all means cultivate manufactures. We should specially favor them in matters of taxation; even to the length of relieving new enterprises or those exposed to especially hard Eastern competition from taxation for a series of years.

Then there are various lines of manufactures in which we could make a beginning, had we the proper means. Mexico has some of the best cotton lands in the world, and capitalists could grow the cotton cheaply and do the manufacturing in this city the same as the California Sugar Refinery does in the case of sugar. There are many other industries that could be started in this way by enterprising men.

The old methods of trade have changed with a vengeance, and we must change with them.

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### POOLING AND THE PENNSYLVANIA RAILROAD.

The action of the Pennsylvania Railroad in declining to unite with the other coal companies in the production of coal, says the *New York Times*, is worthy of note. It declares that such a combination is prejudicial to the interests of the public and of the shareholders. It is somewhat novel to hear language like that from a railroad board, and it is characteristic that it should come from the Pennsylvania Central, the greatest railroad corporation in the country, and one of the best managed in the world. The Board of Directors govern interests so vast that they have distinctly to recognize that the public interests and the interests of the shareholding body are identical. The resolution was also supposed to indicate the policy of the company in respect to pooling arrangements generally. It seems to be conceded that railroad pooling has proved a failure. Mr. Vanderbilt is credited with declaring that it has been for the New York Central the worst policy which could have been adopted. When business is good, good rates can be had without pooling; when business is poor, no pooling arrangement has sufficed to avert poor ones. It has, however, enabled poor roads to live largely at the expense of the better ones; while it has held out an additional temptation to build unnecessary roads. If such a road could be built to a pooling center, it immediately was in a position to demand the allowance of a certain percentage of

the pooled business under threat of demoralizing rates. The Pennsylvania Company has been the first of the great corporations to but its foot down, and to declare as its future policy—No more pools. Let the fittest survive. In pursuance of this it has put down the emigrant rates from New York to Chicago to one dollar. It is the way this great corporation does its fighting. The last into a fight but the last out; but when it strikes it strikes like a trip hammer. The line of action seems to be to force its competitors to agree to some reasonable schedule of rates, and to depend on keeping them to it by the fear of what will happen if they don't. In the meantime, there may be a good deal of tearing up and knocking down, for this new policy is the policy of the strong hand; and it may take some hard blows to prove how strong it is. East-bound freight rates down to ten cents are talked about by some of the railroad men. The coal men, too, say the Pennsylvania Company can maul the Lackawanna in the worst kind of way if it has occasion to discipline that company; for it could fill up the Lackawanna's Western markets with coal at a dollar a ton, and it is just the sort of concern to do it if the occasion arose.

The grave importance of the action of the Pennsylvania Central Company at this time naturally directs more particular attention to the immense corporation itself; with its large Board of Directors, its perfect organization, its superb management, its frequent and complete reports, its accounts open as the day to all who chose to read them. It has no concealments or evasions. Whether the policy of the Directors be wise or unwise in any special line every one can judge for himself and act accordingly, for the corporation is a sort of railroad republic, and nothing is done in the dark. Beside this, there appears another great aggregation of railroads, spread out from the lakes to the Mexican border, and stretching westward to the foot of the Rocky Mountains, under five different corporate names, but all under the control of one man. The aggregate of stock and bond obligations upon these thousands upon thousands of miles of road is appalling in its magnitude; and all, with but a few exceptional classes of the bonds, are in utter discredit. Not one of these companies can put out a report which commands confidence: some scarcely pretend to give reports; two are bankrupt; a third is not far from it; a fourth is flourishing amid ruin with a fictitious appearance of prosperity, and its stock, while quoted at a high figure in the market, no one dares touch; the fifth, nominally controlled by the Government, which built it, has contributed to our history little more than a record of scandals and corruption. Everywhere the lines run, they mark bankruptcy, fraud, deception; there is no sound spot anywhere, because far as they run to north and south, and wide as they stretch from east to west, a single hand is over them all, under whose blighting shadow everything rots. The time must come when people will be amazed that such things could be, but now familiarity has bred indifference. There is, however, one thing that people have not become familiar with, the tampering with first mortgage bonds; and the exposure in respect to the New York Elevated Road seems to have scared the Street very thoroughly as to Manhattan stock. The discovery of an attempt to secretly issue bonds under it was too much. The shares are pooled as thoroughly as Missouri Pacific, so the market quotations can scarcely be said to indicate anything.

## HOW TO PREVENT FORGING.

LEXINGTON, MO., February 5, 1885.

*To the Editor of the BANKER'S MAGAZINE.*

It is possible to prevent "raising" checks and drafts; but perhaps the only preventive of forgery in bank drafts is for the drawer bank to use a steel plate engraved in the best style of the art. The cost prevents many banks doing this, and induces them to use lithographed drafts, which forgers can imitate. In fact, the heterogeneous bank drafts of to-day give bank tellers nearly the same trouble that the heterogeneous bank bills gave them in *ante-bellum* days. What do you think of a plan for all the banks in the United States to subscribe to the purchase of a most elaborate draft plate and of all using drafts printed from it? In that way we could baffle the forger. Banks that will not pay for steel-plate drafts could get this one much cheaper. The State, and town, and drawee, and address, could be movable. Every bank in the United States is interested in it.—Yours, etc.,

GEO. WILSON,

Pt. Lafayette Co. Bank.

[Mr. Wilson's idea, it seems to us, is a good one; besides, if the checks and drafts were all of one size they could be more conveniently filed.—ED.]

## DANGER OF EXPLOSION OF GAS IN BANK VAULTS.

ELMIRA, N. Y., January 24, 1885.

*To the Editor of the BANKER'S MAGAZINE:*

GENTLEMEN—On October 20th, 1884, an explosion of gas took place in the vault of the Chemung Canal Bank, and, as a means of guarding your readers against a similar accident, a brief account may be of service. The vault is built of a boiler-iron shell, surrounded by brick; the height of the arched dome is twelve feet from the floor. By some accident not fully understood the gas was left turned on in the vault from Saturday night until Monday morning, when it was discovered and turned off by the clerk who opened the door. A short time after, the Cashier, Mr. John Arnot, Member of Congress from this district, went in and lighted the burner. The accumulation of gas was in the dome, higher than a man's head, and did not make its presence known by smell; time enough passed for him to work the combination on one safe, and to come out. After a remark to one of the clerks he turned to go into the vault, and was met at the doorway by a sheet of fire, accompanied by a violent concussion that hurled him a dozen feet against the desk, and blew the windows out of the sashes and wrenched the doors open by tearing off the locks. Mr. Arnot was so severely burned, and sustained such a nervous shock, that now, after three months, he has just recovered sufficiently to resume his duties at Washington. The precautions taken against a recurrence of the accident are by putting a cut-off outside the vault door, by means of a lever that projects one and a-half inches over the sill, making it

impossible to close the door without turning back the lever, and so cutting off the supply from the meter. In addition, ventilating holes have been cut through the brick and iron into a chimney, the draught of which will clear any leakage that might prove dangerous.—Very respectfully yours,

J. C. GREVES.

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## ECONOMIC NOTES.

### BUYING COUPONS.

The buying of coupons is also becoming a factor in the shaping of the public mind. It is not entirely new, but, occurring only in bad times, is forgotten from one period of depression to another. The first case last year attracted no attention. Subsequently there was a little stir over the buying of Texas & Pacific coupons, and interest in the matter has been increasing with each new case. It is very clear that when a railroad corporation fails to earn interest on its bonds something must be done. If times are prosperous the company is generally able to borrow money with which coupons are paid. But with roads over-capitalized, or suffering from loss of crops or undue competition, there may come a time when nobody wants to lend money to pay unearned interest. Somebody, however, can generally be found who will buy coupons under an agreement that they shall stand as a prior lien on the first available earnings. The buying of coupons, considered as a matter of equity, seems to depend upon the circumstances attending each case. If the purchase is merely a form of loan, we see no objection to it, provided the bondholders are notified that the coupons are being bought and not paid, so that they can return their coupons if they prefer to do so. If the purchase is essentially a trick to take away the right of foreclosure, or is done in order to bring in a prior lien, or to compel bondholders to accept a lower rate of interest, it cannot be too strongly condemned. It is evident that if a mortgage gives a right of foreclosure on six months' default of interest, the person who sells his coupon gives up his right of foreclosure for a year; that is, until there has been six months' default on the coupon succeeding the one which he sells. He cannot foreclose on coupons which he has sold. In some cases coupons have an independent right of foreclosure, which, of course, goes with the coupon when sold. We think it better for bondholders, as a rule, not to sell their coupons unless much in need of the money. But whether done with good or bad intent, the buying of coupons is an advertisement that the company cannot get money in the ordinary way, consequently that the principal of the bond is insecure. It follows that the buying of coupons by any considerable number of companies is evidence of widespread weakness and suggestive of collapse. It indicates, moreover, that investors holding bonds on roads which earn but little more than fixed charges will become uneasy, and will throw their bonds on the market in anticipation of default. This has a tendency to produce weakness in third-class bonds, which, in turn, further disturbs confidence. We have had heavy liquidation in the stock market. It is by no means certain that we shall not have an era of liquidation in bonds.—*Extract from Circular of John H. Davis & Co.*

## FRENCH LAW RELATING TO ILLEGAL DIVIDENDS.

The managers of a joint-stock company in France were recently prosecuted criminally, charged with declaring a fictitious dividend. A law of France, passed in 1867, as also a law of Belgium, passed in 1873, provides punishment for paying dividends made without taking an inventory, or based on a fraudulent inventory. In the case in question a company was formed with a capital of 500,000 francs, authorized to increase this capital to 10,000,000 francs. By successive issues the capital was actually raised to 5,000,000 within five months, but between the two issues dividends were declared. Complaint was made that the dividends were fictitious. The court soon decided that there were no profits that could be divided legitimately, and then it took up the question of the "good faith" of the directors, whether they were not themselves misinformed or mistaken as to the position of the company. The court found that the accounts accessible to the directors were sufficient to make them understand the true condition of the company, and that it was not reasonable to suppose that they did not understand it. The court thereupon found the directors guilty, and sentenced them to imprisonment. French law and justice of this kind would have saved certain railroad investors many millions of dollars in this country within the last ten years, and checked the activity of some of our great financiers.—*R. R. Gazette.*

## ANCIENT METHOD OF WASHING GOLD.

The gypsies of the Banat, in Austro-Hungary, in washing the gold from the sands of the rivers and plains, still use a very antiquated system, out of which, no doubt, the modern systems have grown. It is now practiced by the gypsies as it was by the Romans in the same country. It consists in nothing more than pouring the sand, mixed with water, over an inclined plane, the heavier particles of the gold remaining upon the surface, while the light impurities are washed away. Sometimes the inclined plane is covered with woollen cloth, to which the gold adheres; wanting the cloth, the gypsies now and then use for the same purpose the more ancient substitute of a fleece. The manner of collecting gold dust on sheep's fleeces upon inclined planes is represented in the curious old works of Agricola. In the rivers of Colchis the custom is still retained of placing sheepskins in the beds of the Phasa and other auriferous streams to collect particles of gold; hence the dedication of such fleeces to the gods, and the fabulous history of the Argonauts, as far as it related to the Golden Fleece. The more common manipulation among the gypsies of the Banat, as far as the gold washing is concerned, is performed by means of a plank of lime tree, six feet long and one and a-half inch thick. At the upper extremity is a small trough, and across the board are about a dozen grooves or furrows cut in the wood. The plank is set at an angle of forty-five degrees. The sand is put into the trough at the upper end, and thence, by plenty of water, washed down the sloping board. The gold dust falls into the grooves, whence it is scraped or brushed off. It might be supposed that a great deal of gold is lost by the careless method, but long experience has made the gypsies very expert; they know how to distinguish the rich and poor sand, and a careful examination of the tailings proves that hardly a particle of gold escapes them during the operation. The gold is in the form of a fine dust; the sand containing it is mixed with black particles of highly magnetic iron, garnets, and mica.—*London Mining Journal.*

## THE MIDDLEMEN.

Thirty years ago a young man who had acquired experience, knowledge and reputation, and perhaps saved a couple of hundreds, in the employment of a considerable mercantile or manufacturing firm, would start on his own account as a broker or other business intermediary, transacting the actual sales and purchases, mastering and conducting the details which his employers could afford to neglect, doing in his department the work of a score or more of different firms, needing little capital but the confidence of his original employers and those with whom he had been brought into contact in their service. Commerce could afford liberal commissions; shrewdness, foresight and diligence secured a minor but valuable share of the ample profits made in the long, roundabout passage between the original producer and the ultimate consumer. Now-a-days the steps are much fewer; one intermediary after another has been suppressed. The manufacturer buys his materials, not, perhaps, from the actual producer, but from his factor. Orders are sent direct by telegraph, commissions are comparatively few and scanty, and the brokers who yet remain are compelled to secure business by services which only considerable capital can afford. The business, even, of large and long-established firms is seriously reduced, the smaller, one after another, have disappeared or been absorbed; and the opportunities for new men with no capital but brains and character are yearly more and more closely contracted. The professions are crowded, competition has in many cases reduced their remuneration, generally divided the business among a greater number; and even where the heads of a profession make as much or more money than ever, the juniors are compelled to wait longer and work harder and later.—*Macmillan's Magazine.*

## COLLAPSES IN BUSINESS.

One of the most valuable lessons to be learned from the discipline we are now undergoing, is that of the danger of imagination as an element in business operations. Thoughtful persons will be apt to reason from the enormous losses of the last three years that the more strictly the tests of arithmetic are applied to schemes involving the investment of capital the more likely they will be to succeed. Those who live over to the next period of inflation will not be so easily caught as they were in 1879-81. Why is it that in such a time as that, funds are contributed by all classes of people for almost any enterprise whose promoters promise great returns? It is because they see business active all around them, people in enterprises already established winning large profits, and everything apparently inviting them to be rich. They are seized with the craze of money making, and become incapable of reasoning on any project that is presented for their consideration. It is easy for unscrupulous men to humbug them at such a time. Even the promoters of enterprises often half-believe the lies they tell, and partake of the prevailing mania, though it is generally discovered afterwards that they have somehow protected themselves from the contingencies of the future. It is appalling to consider how many of the corporate enterprises of the country have secured their capital by taking advantage of these investment—or, rather, speculative—epidemics. A large proportion of the railroads of the country have been built with this confidence money. The reason why so much track was laid in the boom years was not that it could be laid more cheaply then than at other times, but because the securities

could be more readily marketed. On general principles, one would call 1878 and 1884 better years for railroad building than 1880 and 1881, on account of the cheapness of material; but railroads are not built when they can be built most cheaply—that is what ails them now. Some of the more conservative companies, whose credit is good any time, and which do not have to depend upon the gullibility of the people for their funds, are taking advantage of the present low prices to extend their lines, but they are quite out of the fashion.

When we consider how the business of the country has been bloated with these delusions, the wonder is that it retains as much vigor as it has. The recovery from this disorder is marked by the bankruptcy lists, the decline in the value of stocks, and the shrinkage of the prices of all articles of commerce. For the ease with which we have let down we must thank the wealth of soil that nature has given us; but we cannot always expect to be thus saved. If we let the pictures of wealth that our imaginations draw lead us to similar follies in future, the consequences will be poverty and disaster worse than we have yet experienced. We are rapidly approaching the status of the older nations of the earth, and our hasty, haphazard ways will not do. The cold, careful method of the wise banker is the one for us to apply to all business ventures.—*Chicago Tribune*.

#### EFFECT OF LOWERING THE STANDARD OF VALUE.

The effect of lowering the standard of value will be felt first by those who work for wages, and who receive fixed incomes. Their wages will not be raised, and their money will not go so far as it did before. It will not buy so much. The mercantile and trading classes can raise the prices of their goods, and will be compelled to do so, as they did during the war, but workingmen cannot raise their wages, except by a struggle with their employers. The premium on gold, when it makes its appearance, will be the exact measure of the workingman's loss, and as this will be slight and will increase only by slow degrees, he will probably not think it worth quarreling over. None the less will it be a daily drain upon him. It will be a fresh illustration, following a countless number which have gone before, of the fact that fluctuations in the value of the circulating medium tend to make the rich richer and the poor poorer.—*New York Evening Post*.

#### NATIONAL DEBTS.

According to Mr. Mulhall, the able English statistician, who makes the treaty of Utrecht of 1713 the basis for his computation, all of the States of Europe then owed in the aggregate only £119,000,000, while to-day their collective indebtedness amounts to the sum of £4,414,000,000, or, in our currency, to about \$22,070,000,000. The indebtedness of all nations of the earth at the present time is computed by the same authority to amount to £27,155,000,000. As showing the remarkable increase in the indebtedness of several European States since 1713, we submit the following tabular statement:

	1713.		1884.
Great Britain.....	£ 54,000,000	....	£ 756,000,000
France.....	48,000,000	....	995,000,000
Austria.....	10,000,000	....	508,000,000
Russia, in 1793.....	30,000,000	..	555,000,000

Since 1848 the amount of the indebtedness of the civilized na-



tions, contrasted through various peaceful enterprises, is given in the aggregate at £2,105,000,000, and that which was piled up for warlike purposes is estimated £1,873,000,000. Mr. Mulhall seems to think that the National debts of Europe have not been a disadvantage to the working people of those countries, and instances the fact in support of this theory that the people of France—whose National debt is \$5,000,000,000, and which is almost wholly held by them—are content and prosperous. Our own National debt has by many been considered in the light of a “National blessing.” Whether this is true or not, we will not attempt to assume the province of determining. But with the rapid increase in the indebtedness of the civilized States of the world, there has also come a much larger augmentation of the wealth of the same. Taking the aggregate population of the countries of Christendom and their collective wealth and indebtedness, it might prove very interesting to see what relation they bear each to the other and to the whole. National figures and statistics are at all times interesting from the lessons which can be drawn from them relative to the material advancement of the people.

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## STOCK-GAMBLING CONTRACTS.

SUPERIOR COURT OF CHICAGO, ILLINOIS.

*Jones v. Dunlap and Smith.*

Whatever may be the form of a contract, if the real intention of the parties thereto is not to sell and deliver the article mentioned therein, but to settle the transaction by paying the difference in the price of such article which has occurred at certain times or during a specified period, such a contract is illegal.

When the terms or form of the original agreement is for the actual future sale and purchase of merchandise, the burden rests on the defendant to prove, by a preponderance of evidence, that the real understanding and agreement is, in substance and effect, a wager as to future market price. This may be established by facts and circumstances surrounding the transaction, as well as by direct and positive proof.

This was a case growing out of a deal on the Board of Trade, and was brought to recover a balance for advances made by the plaintiffs as commission merchants on the Board of Trade of Chicago for the defendants, Smith and Dunlap.

SMITH, J.—I have carefully reviewed the cases cited upon the legal questions involved, and considered the testimony introduced upon the trial. It is urged, as a defence, that the defendants did not employ the plaintiff to purchase and sell for them merchandise upon the Board of Trade, but employed them only to make bets or wagers as to what would be the future price of wheat and other commodities at Chicago, and that, in pursuance of such employment, the plaintiffs only made such bets or wagers, upon which they made the advances, to recover the balance of which this suit is brought. The law of the case, as settled in this State, is this: No matter what form the transaction bears as to the terms of the contract, still, if such form be colorable only, and the real intention of the parties be that there is to be no sale of the article, no delivery or acceptance of it, but the transaction is to be adjusted

only upon differences, it is a gambling transaction within the statutes of this State. Of course, where the terms or form of the original agreement is for the actual future sale and purchase of merchandise, the burden rests upon the defendant to prove, by a preponderance of evidence, that the real understanding and agreement was, in substance and effect, a wager as to future market price. True, this may be established by facts and circumstances surrounding the transaction, as well as by direct and positive proof; but, in arriving at conclusions in each case under consideration, the ordinary rules of evidence should be applied and the usual presumptions indulged.

It appears in evidence in this case that both the orders of Smith and Dunlap to the plaintiffs, and the execution of these orders by the latter, were in terms for the actual purchase or sale of merchandise, or, to be more specific, executory contracts for future purchase and sale. Both parties, before and at the commencement of the transactions in question were residents of Chicago. The plaintiffs were members of the Board of Trade, doing a commission business, and the business in hand was to be done by them upon this Board, under its usages and rules. It was formally admitted upon the trial that the defendant, Dunlap, was at the time of the transaction in question, familiar with these usages and rules, but whether he and the defendant, Smith, were thus familiar or not, seems wholly immaterial, for as they employed the plaintiffs to act for them upon and as members of this Board, they must be held to have agreed that the business should be done under these usages and rules, whether they were themselves familiar with them or not. Such is the settled law of this State, as it has been declared by repeated adjudications of our own Supreme Court. The transactions in controversy commenced about the 23d of December, 1879, and continued until the 11th of June following, and the final balance was stated against the defendants on the 10th of July thereafter. The first purchases and sales were of an article of merchandise known as short ribs, continuing from time to time till January 23d. These were all closed by the actual delivery and acceptance of the merchandise, but were not closed and balance stated until the 10th of April. But, while these rib deals were still open and unsettled, and about the 29th of January began the purchase and sale of wheat, which continued until the 11th of June. Some of these purchases and sales of wheat were closed by an actual delivery of the merchandise, but most of them were closed by payment or receipt of differences, as it is termed. In other words, most of the wheat contracts were settled by payment of legal damages, viz., the difference between the contract price and the market price, without compelling the party entitled to these damages, under the law, to resort to the courts. Such settlements, as it seems to me, do not of themselves tend to impeach the *bona fides* of the contracts thus adjusted. They may tend to diminish the volume of litigation in our courts, but to hold that the voluntary compromise or adjustment of the legal obligations were never contracted, would be the announcement of a somewhat novel and startling proposition of law. It is, however, objected that many of these settlements were not directly with the original parties, but were made indirectly through the instrumentality of what is termed in Board of Trade parlance "a ring."

That is to say, A, the commission merchant, by order of and for his principal, B, purchases of C ten thousand bushels of grain, de-

liverable in the future. The next day, or the next week, B orders A to sell for his account a like amount of grain, deliverable at the same time, and in execution of this order A sells to D. A literal performance of these contracts would require two deliveries and payments—a delivery by C to B, and payment by the latter to the former, and in turn, a delivery of the same grain by B to D, who, in turn, also pays B for this grain. To avoid this needless ceremony of two deliveries and two payments, under the usages and rules of the Board of Trade, the parties interested arrange for one delivery directly to D, and adjust their legal obligations upon precisely the same basis as though there had been two deliveries and payments. Sometimes it happens that the combinations under which settlements are effected are more extended, embracing a greater number of parties, deliveries and payments, but this is sufficient to illustrate what is to be understood by “rings” and “ring” settlements upon the Board of Trade; and it is not perceived how this feature of the case has the slightest bearing upon this question of bets or wager contracts. Surely it is a convenient and proper method of adjusting the legal obligations of the parties to a series of *bona-fide* commercial contracts, and whether it would be as convenient a method of settling a number of bets or wagers, is not material here to inquire.

It is also urged as an objection that most, and perhaps all of these adjustments were made before the time of performance had arrived. In other words, that these contracts were compromised before their maturity, and, of course, upon the basis of the market at the time. This feature of the case is also urged as a further circumstance tending to establish the main proposition, that these transactions were in reality mere bets or wagers.

If, as a matter of common experience, mankind are more inclined to compromise and settle bets or wagers before the happening of the contingency which is to determine which party wins, than they are to compromise and settle in advance their future obligations upon legitimate commercial contracts, there would be some force in this objection; but, as the reverse of this is probably true, this circumstance tends rather to support than defeat the plaintiff's case. All of the contracts of purchase and sale in question were made by the plaintiffs in their own names without disclosing the existence or names of their principals, nor did they disclose to their principals the names of the parties with whom they contracted. They became personally liable upon these contracts, and they guaranteed to Smith and Dunlap their fulfillment. Such was according to the usages and customs of the Board, where these transactions were had, and such was their legal effect. If, by orders from Smith and Dunlap, the plaintiffs contracted for the purchase of ten thousand bushels of wheat upon one day, and, under further order, sold the same quantity upon the next day, at, say, two cents per bushel less in price, they charged the defendants with this difference of two cents, and treated this individual transaction as closed, so far as their accounts with Smith and Dunlap were concerned. If, under orders, they purchased and then resold at an advance, they credited Smith and Dunlap with this advance, and thereupon such transaction was also treated as closed. Why, it may be asked, should they not so treat them? Such was their effect. They could in no event claim more where the resale was for less, nor could they rightfully credit Smith and Dunlap with less than the advance upon the resale. Nor does this method of dealing between commission men

and their principals upon the Board of Trade violate any statute of this State concerning bets and wagers. If the transactions between the commission merchants and those with whom they contract be genuine commercial contracts, they become no less so from the fact that they take these contracts absolutely and unconditionally upon their own shoulders, charging up or crediting to their principals, as the case may be, the difference between the purchase and sale prices. It is unnecessary in this case to determine what would be the legal effect of an agreement that so often as the plaintiffs made purchases by order of the defendants, the latter could compel a resale in the name and on the personal responsibility of the former, and then settle by offsetting the one against the other, leaving the plaintiffs to carry both contracts without recourse to the defendants, since there is no evidence tending to establish such an extraordinary agreement. So far as appears, after executing the first order to purchase, the plaintiffs could have rightfully declined all further business with or for the defendants.

Upon the trial, Mr. Dunlap testified: "I asked Mr. McDonald on one occasion if he expected that I was to receive the wheat, and he said, No." He could not fix the date of this conversation any nearer than to say that it was after the business was all closed out. Mr. McDonald states this conversation more fully, and fixes the date more definitely. He says: "Mr. Dunlap asked me about these wheat trades, and gave me to understand that he was going to defend the suit on the ground that these were gambling contracts, and asked me whether I thought that he wanted that wheat at the time that he bought it; well I told him I presumed that the trade would be settled just the same as all other wheat trades have been settled for Dunlap before that. We, as commission merchants, accepted the responsibility for the delivery or receiving this wheat, you know, as the case may be, and I presumed for the consideration of a quarter of a cent., that we would accept the difference, whether it was a loss or whether it was a profit; and, of course, if he changed his mind, in the meantime we would receive the wheat on his account; but we were prepared to receive it ourselves, accept that responsibility, and I presumed when he gave this wheat order that it would probably be settled just as his other wheat orders had been settled. That is what I stated to Mr. Dunlap in regard to the matter." And he fixes the date of this conversation after the commencement of this suit, and the Monday before the trial. This testimony comes far short of establishing the main proposition—viz., no matter what the form or terms of the original contract, if such form be colorable only, and the real intention of the parties be that there is to be no sale of the article—no delivery or acceptance of it—but each transaction to be adjusted only upon differences, then it should be regarded as in substance and legal effect, a mere bet or wager, prohibited by the statutes of this State. Especially is this true when this testimony is viewed in connection with the other testimony, both documentary and oral, which points affirmatively and definitely to legitimate commercial contracts for the future sale and purchase of merchandise. Undoubtedly Smith and Dunlap embarked in this business as speculators. Undoubtedly they ordered these purchases and sales for mere speculative purposes. They did not expect to, themselves, either use the short ribs for food or the wheat for milling purposes. They ordered the purchases of both articles of merchandise merely for the purpose of resale at a profit, as they

hoped. For aught appears they are men of the world, of ripe experience, and of large means, abundantly able to engage in the hazard of speculation upon the Board of Trade. This they had the legal right to do. All mercantile pursuits are, in a sense, speculations. The jobber purchases of the manufacturer, the wholesale dealer of the jobber, and the retail dealer of the wholesale merchant, all for the purposes of a resale at an advance. In other words, for purposes of speculation. Nevertheless these pursuits are both legal and useful to the community. The statutes of our State do not relate to transactions in grain alone, but to all kinds of merchandise. The same principles of law govern in the investigation of trades in dry goods as in wheat or other kinds of grain, and courts should neither put strained construction upon testimony nor reverse the ordinary presumptions in determining this class of cases. To do so would be to indulge in a sort of judicial speculation more dangerous to the public than the wildest commercial speculations could possibly be. Upon the whole, the court is of the opinion that the defence has not been established, and the issues should be found for the plaintiffs and their damages assessed. The balance as stated and agreed upon between the parties, as of July 10, 1880, is \$6,583.61; this bears interest under our statute to date, making the amount now due \$8,265.

THE MEMBERSHIP OF TRADE ORGANIZATIONS.—An estimate, partly on official figures, is given in the current number of the *North American Review* by Richard J. Hinton, of the trades and labor organizations in the United States, with the following result—o, official; e, estimated:

INTERNATIONAL BODIES.		Trades Organization.		Membership.
Trades Organizations.		Membership.		
Iron and steel-workers.....	42,000 e	Stationary engineers.....	1,700 e	
Engineers (British).....	5,000 e	Metal-workers.....	8,000 e	
Carpenters (British).....	7,000 e	Ship-carpenters.....	2,000 o	
Typographical Union.....	11,930 o	German Typographical Union.	3,000 e	
Seamen's Union.....	7,000 e	Telegraphers, operators, and		
Cigar-makers' Union.....	14,000 o	linemen.....	10,000 e	
Coopers' Union.....	7,000 e	Coal miners, State and National	60,000 e	
Bricklayers and masons.....	12,000 o	Progressive cigar-makers.....	9,000 o	
Granite cutters.....	6,000 o	Mule-spinners (cotton factories)	5,000 e	
Glass-workers.....	7,000 e	Cotton weavers " "	5,000 e	
Furniture-workers.....	9,000 o	Silk weavers.....	1,200 e	
Locomotive engineers.....	12,200 o	Tailors, N. U.....	18,000 e	
Locomotive firemen.....	12,000 o	Upholsterers.....	3,500 e	
Railroad conductors.....	7,000 e	Harness-makers.....	1,500 e	
Railroad brakemen and em-		Paper-hangers.....	3,500 e	
ployés.....	18,000 e	House-painters.....	10,000 e	
Knights of Labor (federation).	150,000 e	Shoemakers, lasters, etc.....	12,000 e	
International Workingmen's		Bakers.....	2,500 e	
Association.....	20,000 e	Brewers.....	2,000 e	
NATIONAL BODIES.		There are small trades, locally		
Iron moulders.....	14,000 e	organized, chiefly in the large		
Brotherhood of Carpenters and		cities, whose number is diffi-		
Joiners.....	7,000 o	cult to ascertain, and many		
Plasterers.....	7,000 e	of whom are federated with		
Plumbers.....	3,000 e	trade assemblies and Central		
Tinsmiths.....	3,000 e	Labor Unions. They may be		
Laborers (chiefly building		understated at.....		75,000 e
trades).....	25,000 e	The Socialist Labor party		
Horse-shoers (includes black-		(American) and the Social		
smiths).....	19,000 e	Democrats may be estimated		
Boiler-makers and iron ship-		at.....		25,000 e
builders.....	17,000 e	Total estimate.....		611,530

## LEGAL MISCELLANY.

**NEGOTIABLE INSTRUMENT—ALTERATION—ADDING SURETY—MAKER LIABLE.**—The addition of the signature of a surety to a promissory note is not such a change in the terms of the contract as will discharge the maker. A mortgage executed by husband and wife of her land, for the accommodation of a partnership of which the husband is a member, and as security for the payment of a negotiable promissory note made by the husband to his partner and indorsed by the partner, for the same purpose, and to which note the partner before negotiating it, adds the wife's name as a maker, without the consent or knowledge of herself or her husband, is valid in the hands of one who, in ignorance of the alteration, lends money to the partnership upon the security of the note and mortgage. An erasure of the name of one of several obligors is a material alteration of the contract of the others, because it increases the amount which each of them may be held to contribute. *Martin v. Thomas*, 24 How. 315; *Smith v. United States*, 2 Wall. 219. And the addition of a new person as a principal maker of a promissory note, rendering all the promisors, apparently, jointly and equally liable, not only to the holder, but also as between themselves, and so far tending to lessen the ultimate liability of the original maker or makers, has been held in the courts of some of the States to be a material alteration. *Shipp v. Suggett*, 9 B. Mon. 5; *Henry v. Coats*, 17 Ind. 161; *Wallace v. Jewell*, 21 Ohio St. 163; *Hamilton v. Hooper*, 46 Iowa 515. However that may be, yet where the signature added, although in form that of a joint promisor, is in fact that of a surety or guarantor only, the original maker is, as between himself and the surety, exclusively liable for the whole amount, and his ultimate liability to pay that amount is neither increased nor diminished; and according to the general current of the American authorities, the addition of the name of a surety, whether before or after the first negotiation of the note, is not such an alteration as discharges the maker. *Montgomery R. Co. v. Hurst*, 9 Ala. 513, 518; *Stone v. White*, 8 Gray 589; *McCaughey v. Smith*, 27 N. Y. 39; *Brownell Winnie*, 29 id. 400; *Wallace v. Jewell*, 21 Ohio St. 172; *Miller v. Finley*, 26 Mich. 249. The English cases afford no sufficient ground for a different conclusion. In the latest decision at law indeed Lord Campbell and Justices Erie, Wightman and Crompton held that the signing of a note by an additional surety, without the consent of the original makers, prevented the maintenance of an action on the note against them. *Gardner v. Walsh*, 5 El. & Bl. 83. But in an earlier decision, of perhaps equal weight, Lord Denman and Justices Littledale, Patterson, and Coleridge held that in such a case the addition did not avoid the note, or prevent the original surety, on paying the note, from recovering of the principal maker the amount paid. *Catton v. Simpson*, 8 Adol. & E. 136; S. C., 3 Nev. & P. 248. See also Gilb. Ev. 109. And in a later case, in the court of chancery, upon an appeal in bankruptcy, Lord Justices Knight, Bruce and Turner held that the addition of a surety was not a material alteration of the original contract. Ex parte Yates, 2 De G. & J. 191; see also *Angle v. N. West Ins. Co.*, 92 U. S. 330; *Wood v. Steele*, 6 Wall. 80; *Greenfield Savings Bank v. Stowell*, 123 Mass. 196, and cases cited. [*Mersman v. Werges*. U. S. Sup. Ct.]

**NEGOTIABLE INSTRUMENT—PROTEST—WAIVED BY PAROL.**—Protest of a note may be waived either by a writing or by parol. A waiver of "protest" of a note by an indorser before maturity releases the holder from the necessity of making demand and of sending notice of non-payment. *Huckenstein v. Herman*, 34 Leg. Int. 232; *Scott v. Greer*, 10 Penn. St. 103; *Brittain v. Doylestown Bank*, 5 W. & S. 87. [*Annvile National Bank v. Kettering*, Penn. Sup. Ct.]

**BANK—TRANSFORMED FROM STATE INTO NATIONAL—RIGHT TO ENFORCE CONTRACTS.**—Where under the provisions of the National Banking Act, and under authority of the Act of 1865, ch. 97, a State bank is transformed into a National bank, it is but a continuance of the same body under a change of jurisdiction, and between it and those who have contracted with it, it retains its identity and may, as a National bank, enforce contracts, made with it as a State bank. Where, therefore, a State bank, at the time of its change to a National bank, held a continuing guaranty of loans made by it to defendant's firm, upon the strength of which it had made loans, and after the change further advances were made, *held*, that an action was maintainable by the National bank upon the guaranty, and that guarantor was liable for the loans made both before and after the change. The general scheme of the National Banking Act is that State banks may avail themselves of its privileges and subject themselves to its liabilities, without abandoning their corporate existence, without any change in the organization, officers, stockholders, or property, and without interruption of their pending business or contracts. All property and rights which they held before organizing as National banks are continued to be vested in them under their new status. Great inconveniences might result if this saving of their existing assets did not include pending executory contracts, and pending guarantees, as well as vested rights of property. Although in form their property and rights as State banks purport to be transferred to them in their new status of National banks, yet in substance there is no actual transfer from one body to another, but a continuation of the same body, under a changed jurisdiction. As between it and those who have contracted with it, it retains its identity, notwithstanding its acceptance of the privilege of organizing under the National Banking Act. [*City Nat. Bank of Poughkeepsie v. Phelps*, N. Y. Ct. of Appeals.]

**NEGOTIABLE INSTRUMENT—INDORSEMENT.** A. executed a promissory note in the following form: "Dorrance, February 23, 1880. Six months after date, I promise to pay to the order of myself \$192 at first National Bank at Hazleton, Penn., value received with use. Renatus Heller;" and indorsed, "I hereby certify that I own and am worth in personal and real estate in the county of Luzerne, State of Penn., \$4,000, over and above all indebtedness, and that the within obligation is given for goods bought by me of the Queen City Fertilizing Company, and the same is in full settlement of all claims and demands of every name and nature between said company and myself up to date of this obligation. Renatus Heller. Queen City Fertilizing Company, H Moran." B. took said note before maturity for value without notice of any defence. Upon a suit on the same by B. against A., *held*, that the court could not say as matter of law that the note was, not properly indorsed, and was not negotiable. It was held in *Ege v. Kyle*, 2 Watts; 222, that an indorsement on a negotiable note of a receipt on account of a

quantity of iron, "the net proceeds of which are to be credited on the within," and which were afterward credited on it by indorsement, did not destroy its negotiable character. The usual form of indorsement is by writing the name of the indorser across the back of the note. Where the note is payable to order, any order in writing is sufficient, which shows an intent to pass the title. Thus "I give this note to A. George Chaworth" was held to be a sufficient indorsement. *Chaworth v. Beech*, 4 Ves. 555. And where the indorsement is in the form of a guaranty, it has been held sufficient. *Partridge v. Davis*, 20 Vt. 499; *Upham v. Prince*, 12 Mass. 14; *Myrick v. Hasey*, 27 Me. 9; *Childs v. Davidson*, 38 Ill. 438; *Watson v. McLaren*, 19 Wend. 557. [*Dunning v. Heller*. Penn. Sup. Ct.]

**SURETY—TWO DEBTORS—CREDITOR—ACCOMMODATION NOTE—MORTGAGE.**—Where, as between themselves, two debtors stand toward each other in the relation of principal and surety, and this is known to the creditor, he is bound to respect such relationship, no matter how or when it arose, or whether he consented to it or not, and although by the terms of the obligation held by him, the real surety occupies the position of principal. *Colegrove v. Tallman*, 67 N. Y. 95; *Calvo v. Davies*, 73 id. 211; *Palmer v. Purdy*, 83 id. 145. In order to obtain money to pay a note executed by J, and indorsed for his accommodation by H, the latter executed to plaintiff his bond secured by mortgage upon his farm. J afterward guaranteed the payment of the bond. Plaintiff, at the time he advanced the money upon the securities, knew that it was required to pay the note, and that this was given for J's debt. In an action to foreclose the mortgage, it appeared that J gave to plaintiff a lien upon property of his own to secure the debt; this lien plaintiff, without the consent of H, surrendered or abandoned. *Held*, that to the extent of the loss thus sustained by H, he was entitled to a reduction of his liability. [*Grow v. Garlock*, N. Y. Ct. of Appeals.]

**CONTRACT—GUARANTY—CONSIDERATION—STATUTE OF FRAUDS—COLLATERAL.**—Defendants guaranteed, in writing, the return in six months of certain bonds loaned by plaintiffs to the R. I. M. Co. The bonds not having been returned, and defendants having been informed that plaintiffs intended to sell them upon the guaranty, verbally agreed that if plaintiffs would recover a judgment against the company, they would take an assignment thereof, return to them the bonds and pay the costs. Plaintiffs in pursuance of the agreement, immediately brought suit against the company, recovered and perfected judgment, and tendered a written assignment thereof to plaintiffs, and demanded a performance of the agreement, which was refused. In an action upon the agreement, *held*, that it was supported by a sufficient consideration; that the performance by plaintiffs of the acts upon which defendant's promise was conditioned supplied the place of a previous promise to perform. The contract was not within the statute of frauds and was valid and binding. The agreement was not collateral to any obligation of the company, but was an original undertaking entered into by the defendants for their own benefit, and for the purpose of settling the claim the plaintiffs had against them on their original guaranty, and obtaining such indemnity as they could by a judgment against the company. [*Beckwith v. Brackett*. N. Y. Ct. of Appeals.]



## BOOK NOTICES.

*Principles of Political Economy*, by John Stuart Mill. Abridged, with critical, bibliographical and explanatory notes, and a sketch of the History of Political Economy. By J. LAWRENCE LAUGHLIN, Ph. D. Assistant Professor of Political Economy in Harvard University, New York: D. Appleton & Co.

Mill has long held the leading place among writers on abstract political economy. Mr. Laughlin has enriched Mill's treatise with important facts. The method followed by Mr. Mill did not require the study of them, and his use of them now and then was chiefly to show that his deductions squared with the conduct of mankind concerning wealth. The abridgement consists in omitting speculations which are supposed to have less interest for American than for English readers. Mr. Laughlin might have further improved the work by a more frequent use of the pruning knife. Indeed, if he had abandoned a decaying structure, and had built a new one on sounder foundations, he would have been deserving of more praise. This speculative, metaphysical method of Mill has been generally discarded in Germany, the newer political economists of Great Britain are discarding it, and it is to be regretted that any one should try to preserve it in our country. Mr. Laughlin's contributions are of the right kind, but Mill's work is struck with death, and so is every other that speculates about wealth instead of investigating the facts and principles which actually pertain to it. Such works may be read hereafter as curious interesting specimens of antique learning, but not with the expectation of getting much aid for the solution of economic questions. If, however, one intends to read Mill, we can warmly recommend this edition as a great improvement on the original.

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*Hand-Book of Railroad Securities, January, 1885.* By WILLIAM B. DANA & Co.

It contains a description of railroad securities, highest and lowest monthly prices, range of prices by years, dividends and railroad earnings. It is a useful and very convenient compilation.

*Report of the Auditor-General on the Finances of the Commonwealth of Pennsylvania for the year ending November 30, 1884.* JEROME B. NILES, Auditor-General. Harrisburg: 1885.

*Dynamiting and Extra-Territorial Crimes.* By FRANCIS WHARTON, LL.D. Jersey City, N. J.,: Frederick D. Linn & Co., Publishers, 1885.

This is a reprint from the *Criminal Law Magazine* for March, 1885, and is a scholarly study of a timely subject.

*The Spanish Treaty, Opposed to Tariff Reform.* Report of a committee of inquiry appointed by the New York Free Trade Club. Published for the New York Free Trade Club by G. P. Putnam's Sons, 1885.

*The Impending Crisis in our Finances.* By EDWARDS PIERREPONT, 1885.

*History of the Manufacture of Iron in all Ages, and particularly in the United States, for three hundred years, from 1585 to 1885.* By JAMES M. SWANK, Secretary of the American Iron and Steel Association. Philadelphia: 1884.

The author in the preface quotes a felicitous sentence from Heroditus to explain his object in preparing this history. It was to preserve from decay the remembrance of what men have done in making iron, and especially in our own country. This statement is singularly true, for much of the information contained in these pages has been taken from the lips of men, and could have been obtained from no other source. Mr. Swank began none too soon to preserve the record of American iron-making, for some who possessed the richest stores of information are now dead. It may be added that no other person could have gathered so much material for a history of this kind as Mr. Swank. Favored by long personal acquaintance with many iron manufacturers and by official position, he was able to get many facts which would have been denied to any other writer. He rapidly traces the outlines of iron-making in the world in little more than seventy pages, following with a chapter on the first attempt by Europeans to manufacture iron in the United States. Having laid this foundation, the author proceeds to raise first one portion of his structure and then another until it is completed. The work is a monument of untiring intelligent industry of the highest value. It is handsomely printed, and contains two model indexes, of which we cannot speak too highly, and which greatly facilitate the use of the work as well as increase the pleasure in using it. We heartily congratulate the author on the success of his self-imposed task.

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*Money in Politics.* By J. R. UPTON, late Assistant Secretary of the United States Treasury; with an introduction by Edward Atkinson. Boston: D. Lothrop & Co.

Perhaps in noticing the above work we cannot improve on Mr. Atkinson's description of it. He says that it gives, in his judgment, the best record of legislation in the United States yet presented in regard to coinage, to legal-tender acts, and other matters connected with our financial history. It shows in the most conclusive manner the futility of all attempts to cause two substances to become and to remain of the same value or estimation, by acts of legislation. It gives a true picture of the vast injury to the welfare and to the moral integrity of the people of this country, which ensued from the enactment of the acts of legal tender during the late war, whereby the promise of a dollar was made equal in the discharge of a contract to the dollar itself. It shows that the mode of collecting a forced loan was the most costly and injurious method of taxation which could have been devised. It proves in the most conclusive way, the injury which will surely come when by present acts of coinage and of legal tender, our gold coin has been driven from the country, and our standard of value becomes a silver dollar of light weight and of uncertain value. This book, Mr. Atkinson continues, will prove to the mind of every thinking man that, if we persist much longer in sustaining the acts of coinage and legal tender which now encumber the statute book, our National credit will be impaired, and all our working people, whose wages are paid in money, will be subjected to the most in-

jurious form of special taxation which could be devised; it proves that a considerable portion of their wages will be taken from them under due process of law without power of redress on their part, while the rich and astute advocates of the present system will reap wealth which they have not earned by taking from the laborer a part of that which is his rightful due. It is therefore of great importance as giving the general reader a clear understanding of the real condition of things, and educating him into the right method of thinking about these matters, which sooner or later will have to be settled by the voice of the people.

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## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

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### I. FIRM NAME.

A, B and C enter into a partnership for the purpose of manufacturing paper, and style their firm "Auburn Paper Manufacturing Company." Is the latter a legal signature for all purposes?

REPLY.—No reason occurs to us why such a signature would be illegal.

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### II. ASSIGNMENT OF NOTES AS COLLATERAL WITHOUT INDORSEMENT.

A comes to the bank and gives two personal or individual notes for a loan of \$10,000; he attaches, as collateral, two notes of B made payable to A, or his order, and not indorsed. Before maturity of A's own notes he dies. Was it necessary, in order to hold the collateral notes, to have secured A's indorsement upon them, or cannot collection of the collateral notes be enforced, although the collateral notes fail to bear the indorsement of A, to whom they were made payable?

REPLY.—The bank is entitled to consider itself as assignee of the collateral notes, and to hold and collect upon them, at any rate, what may be necessary to pay A's indebtedness. See Daniel on Negotiable Instruments, § 741, *et seq.*

Whether, if it becomes necessary to bring suit against B upon the notes, the bank can sue in its own name, is a matter of local law, upon which we give no opinion. If it cannot, it is entitled to sue upon them in the name of A's personal representative.

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### III. STOPPING PAYMENT OF A CERTIFICATE OF DEPOSIT.

C, a party to whom we had issued a certificate of deposit for an amount deposited by him with us, came into our bank on the 11th inst., and said that the certificate had been stolen from him in a city of this State, where he had been on business, and served a notice on us, setting forth the facts and forbidding us paying said certificate if it should be presented. The following day this certificate came to us for collection and remittance from one of the banks in that city. Immediately on the notice of the loss of the certificate being served on us, I wrote out a notice for publication, cautioning the public against purchasing said certificate, as payment had been stopped, and mailed it to one of the banks in the city in which it had been stolen, asking

them to have it published in one of their daily papers. By a somewhat singular coincidence this bank was the one through which it was sent to us for collection. The indorsement of the payee on the C/D was written in lead pencil, and the next indorsement was that of a business firm of that city, through whom the party or parties proposed to negotiate it, not caring, I presume, to do it in person, as this would have necessitated their indorsement. As the instructions accompanying the C/D were to protest, I had this done, and telegraphed the bank, in answer to which they telegraphed—"Depositor claims C indorsed certificate in presence of two witnesses, and that it was not stolen, and, being innocent, purchaser threatens suit."

The party does not deny his signature, but states that after having signed it, and pending some bet which they were making, it was snatched out of his hand, and on his going out to get a policeman the man cleared out, so that on his return he could not find him.

Now, what I want to know is whether, after having notice served on me forbidding payment, and that, too, accompanied by a *sworn* statement of the facts, I was right in refusing payment. Have you ever known of a parallel case being brought into court, and if so, please cite it, with the court's decision?

REPLY.—The action of the bank in this case was entirely proper. In order to make a transfer of the certificate, which should be binding upon C, it was necessary not only that he should write his name upon the certificate, but also that he should deliver it to the indorsee. If C's account of the transaction is correct, no delivery was made, and therefore the present holder of the certificate has no title to it, and having no title, cannot recover against the bank. Even if the bank might have been safe in paying the certificate, the indorsement of C being genuine, if it had had no notice of the way in which the certificate was obtained from C; after receiving such notice, it would pay the certificate at its peril. We do not see but it must be prepared to stand a suit upon the certificate, which suit C will no doubt assume the burden of defending.

#### IV. RESPONSIBILITY FOR A COLLECTION.

The C National Bank of Fort Scott, Kansas, received for collection from the G Mill Co. an acceptance on W & W, Dallas, Texas, November 15, 1884, the said date being the last day of grace. Our bank forwarded the said acceptance on that day to A & L for collection, with directions to forward to our credit with Third National Bank of St. Louis, Mo. The acceptance was collected by A & L, and their draft for the amount was forwarded to our correspondent as directed; but, prior to its arrival at St. Louis, A & L failed, and their draft was not paid. Is the C National Bank responsible to the G Mill Co. for any loss that may occur? Further, can collections made in this way be held by the receiver or assignee of A & L as a part of the assets of said bank? Or, are they fiduciary or trust funds, in the nature of a special deposit? It is not claimed that there was any neglect or omission on the part of the C National Bank.

REPLY.—The C Bank is responsible. This inquiry involves the much-discussed question as to the responsibility of a bank, which receives for collection paper payable at another place, for the solvency of the agents which it employs in making the collection. The Supreme Court of the United States has recently rendered a decision which settles the question, and under the authority of which the C Bank is no doubt liable in this case: *Exchange Nat. B'k of Pittsburgh v. Third Nat. B'k of N. Y.*, reported in the February number of this Magazine, p. 611.

The C Bank, as the holder of the unpaid draft of A & L, given for the proceeds of the collection, are entitled to no preference over the general creditors of A & L, by way of trust enforceable against the assets of A & L in the hands of the receiver or assignee. A full discussion of this question will be found in our last November number, p. 365.

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## THE COMPTROLLER AND THE EX-COMPTROLLER ON THE SILVER QUESTION.

At a dinner of the Merchant Club of Boston, on the 14th of February, Mr. Cannon, the Comptroller of the Currency, was present, and made a speech, in which, after remarking on the excellence of the National banking system, he said: "So far as my policy is concerned, it is my desire to carry out as far as possible the policy of my predecessors. As I have no doubt the gentlemen present have carefully read my report, including all the statistics, you know my views on the silver question."

"That portion of my report relating to the subject was attacked by an honorable senator before the Senate, who characterized my statements on this subject as impudent, and stated that I had gone beyond my province in stating that the present law was pernicious which makes the coinage of at least 2,000,000 of pieces of silver per month, of 412½ grains each."

"It was not my intention to reflect in any way upon the gentlemen who voted for this measure, but the law has been in operation since its passage in 1878, and has not apparently accomplished its purpose, but, on the contrary, has had, as I believe, a bad effect upon the finances of the country, and has not, as was intended, increased the value of silver, which is less to-day than when the law was passed. I am not an enemy of silver. I believe it has its place as currency, and that a large amount may be used in this country as subsidiary currency. I do not, however, believe that silver dollars 412½ grains in weight should be in circulation as unlimited legal tender. However, it was not my intention to speak on the silver question to-night, and I have said more than I intended to on the subject."

"I only wish to say that I believe with my predecessors in a currency redeemable at all times in specie, meaning by specie a medium which is recognized throughout the world at an equitable value, as the gold dollar of 25 8-10 grains is recognized."

Mr. Cannon was followed by his predecessor, in office, Mr. Knox, who remarked on the silver question as follows:

"The platforms of both parties in the late campaign contained nothing but platitudes upon the silver question, which should have been the burning issue. The candidate of the Republicans seemed to avoid the issue in his letter of acceptance rather than to express the sentiments of the best men in his party. The candidate of the Democrats avoided the question and said nothing. Yet I am told by good authority that Gov. Cleveland is earnest in his desire to stop the coinage, and that nothing would please him more than to have a clause inserted in an appropriation bill which would repeal the law which was passed in the interest of silver miners when the whole production is not equal, according to Edward Atkinson, who is an authority upon such subjects, to the production of eggs by the hens of this country, who are left entirely without protection! If Gov. Cleveland has the bottom and pluck to carry out these two reforms, his administration will be one of the most memorable in the annals of the country. It will elevate not only every branch of the civil service, but will greatly improve the character of the representatives sent to Congress from every State of the Union, and will serve to lift the depression which now burdens every industrial interest. It

will require some intellect to work out these reforms. But it will require more bottom than brains, and if he has the grit to stand by his pledges, he will have the united support of all intelligent, upright and honest men everywhere without distinction of party."

Mr. Edward Atkinson spoke at length upon the currency question. He pronounced Hon. Hugh McCulloch, the present secretary of the treasury, the ablest man who has occupied the treasury portfolio for many years. He laid particular stress upon the manner in which he had saved the country from bankruptcy during the dark days attending the late civil war, and wished he had been a "mugwumps" that he might have been carried over to President Cleveland's cabinet. Mr. Atkinson thought that there were signs of great and impending danger. The signs were those of the silver question. Then he spoke about the iron trade, and what a perfect barometer it was of the country's condition. He asked why it was that the way was barred by the silver question, stating that it was by the combination of distinguished members of each of the two great political parties. It was the unholy alliance of wool, pig iron and silver that held back the interests of the country.

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DEFINING BANKERS AND CORPORATIONS.—Senator Otis has introduced a bill into the New York Legislature which last year attracted wide attention in financial circles but failed to pass. It is intended to amend chapter 409 of the laws of 1882, entitled "An Act to revise the statutes of this State relating to banks, banking and trust companies. Its sections are as follows:

SECTION 1. Section 311 of said Act is hereby amended so as to read as follows:

Sec. 311. No persons engaged in the business of banking in this State, not subject to the supervision of the Superintendent of the Banking Department, and not required to report to him by the provisions of this Act, shall make use of any office sign at the place where such business is transacted having thereon any artificial or corporate name, or other words indicating that such place or office is the place or office of a bank; nor shall such person or persons make use of or circulate any letter-heads, bill-heads, blank notes, blank receipts, certificates, circulars or any written or printed, or partly written or partly printed, paper whatever, having thereon any artificial or corporate name, or other word or words, indicating that such business is the business of a bank; provided, however, that any person or persons who may be engaged in the business of banking prior to the passage of this Act, may continue to use any office sign at the place where such business is transacted which has been heretofore in use, and may also continue to use any letter-heads, bill-heads, blank notes, blank receipts, certificates, circulars, or any written or printed, or partly written or partly printed paper whatever; and may also continue to use the same if there is displayed on them their individual or firm name. Whoever shall offend against any of the foregoing provisions of this section shall be deemed guilty of a misdemeanor, and shall also forfeit the sum of one thousand dollars. The penalties prescribed in this chapter, where no other provision is made, shall be recovered by suits in the name of the people of this State, to be prosecuted by the District Attorneys of the counties, respectively, where the offences may be committed.

Sec. 2. The marginal note to section 311 of said Act is hereby amended so as to read as follows: "Use of artificial or corporate name by unauthorized persons, prohibited. Penalties, how sued for and applied." And the sectional analysis of chapter II. section 311, of said Act is hereby amended so as to read as follows:

Sec. 311. Use of artificial or corporate name by unauthorized persons, prohibited. Penalties, how sued for and applied.

## BANKING AND FINANCIAL ITEMS.

**EXTENSION OF NATIONAL BANK CHARTERS.**—The Comptroller of the Currency, Mr. Henry W. Cannon, has prepared a statement showing that the National banks whose charters have expired during the past few months have almost without exception, applied for extension of corporate existence, and it has been granted almost uniformly. In eight cases expiring charters have been taken by new banks, and continued under new names. The number and capital of National banks in each State granted an extension of corporate existence prior to February 1, are as follows: Connecticut 34, capital \$12,659,000; Delaware 2, capital \$550,000; Indiana 23, capital \$2,027,000; Illinois 29, \$4,185,000; Iowa 13, \$1,385,000; Kentucky 5, \$2,100,000; Kansas 1, \$100,000; Maine 23, \$4,175,000; Massachusetts 128, \$59,475,000; Maryland 7, \$2,620,000; Michigan 10, \$850,000; Missouri 3, \$1,550,000; Minnesota 5, \$2,000,000; New York 93, \$26,670,500; New Hampshire 9, \$1,460,000; New Jersey 26, \$3,000,000; Nebraska 1, \$200,000; Ohio 62, \$12,435,000; Pennsylvania 141, \$38,314,370; Rhode Island 10, \$3,207,000; Tennessee 2, \$850,000; Vermont 11, \$2,250,000; Virginia 1, \$100,000; West Virginia 1, \$150,000; Wisconsin 14, \$1,010,000. The totals thus shown are that the charters of 644 banks, with an aggregate capital of \$184,247,870, were extended. Of this number 246 banks, with an aggregate capital of about \$8,000,000, have renewed their charters since November 1. The charters of 109 banks expired during January, and nearly all were renewed. Sixty-eight charters expire during February and extensions have been asked in nearly every instance. Since November 1 the charters of 263 National banks in the United States have expired up to February 1, and of these 246 have had their corporate existence extended and eight have given place to other banks. These figures verify Comptroller Cannon's prediction that the disposition to renew charters would be virtually unanimous.

**THE SILVER QUESTION.**—On the 10th of February the Secretary of the Treasury presented to the House of Representatives, in response to a resolution, a communication from the Treasurer of the United States relative to the alleged refusal of certain banks and banking associations to receive silver dollars and certificates in settlement of balances. The Treasurer says: It is not known to this office that the Clearing-house Association at New York, or any national bank thereof, has, since the passage of the act of July, 1882, refused to receive silver dollars, or silver certificates, in the settlement of their balances, or has at any time refused to receive silver dollars or certificates from the Government, in payment of balances due from the Government to said association. The Treasury in January, 1879, became a member of the New York Clearing-house. . . . The members of the Clearing-house have continued to settle their balances in gold coin or certificates or United States notes, and as no silver dollars or silver certificates have been tendered, none have been refused. The Treasury, though not a party to any understanding that silver dollars or certificates shall not be tendered, and though it has never in any way waived the right to pay demands on it in any kind of money that may be lawfully tendered for the purpose, has conformed to the practice of the associated banks in paying the balances against it at the Clearing-house. The Department has deemed it inexpedient as a matter of public policy to force the issue of silver dollars or certificates at the chief financial center of the country, until compelled to that step by the condition of the Treasury. Silver certificates have recently been used in part payment of a day's balance against the Treasury, and have been accepted by the Clearing-house. They will be again so used whenever the state of funds in the Treasury

may require it. In response to that portion of the resolution asking for information as to what amount of customs revenues have been received in silver coin or certificates, the Treasurer submits a table showing that during the forty-nine months beginning January, 1881, \$650,000 in silver, and \$182,654,000 in silver certificates were paid in for customs dues.

BOSTON.—A meeting of the bank clerks of the city was held at the Clearing-house on the 12th of February, to act upon the report of their committee appointed to consider the subject of a bank clerk's association. Mr. N. G. Snelling presided, and there were present about sixty gentlemen. Mr. C. W. Estabrook acted as secretary. Mr. William G. Barton, for the committee, reported in favor of the formation of such an association, to be called the Bank Clerks' Mutual Benefit Association of Boston, which shall have for its objects the relief of the aged and disabled, by means of a small annuity; the benefit of the families of deceased members, by the payment of a certain sum at the death of a member to such person as he shall have designated, or to his legal representative, and the promotion of friendliness and social intercourse by annual, or perhaps quarterly, meetings. The committee inclined to the opinion that no initiation fee should be charged, or special assessment made at the death of a member, but that the association should be sustained by the annual payments of members, who shall be assessed different sums, according to age.

The report was adopted by the meeting. Mr. J. C. Noyes, vice-president of a similar association at Providence, said that in thirteen years that association had accumulated a fund of \$17,000, and gained a membership of 125. He explained the constitution and by-laws of the organization. Mr. S. L. Treadwell of the Washington believed in making the social features more prominent and the life insurance less so than was proposed. Mr. Thomas Chamberlain of the State National urged, on the contrary, that the insurance feature should be the most important, else the association would be short-lived and would not receive the support of the banks.

The meeting voted to form an association on the Providence basis, and made choice of the following-named committee to draft a constitution: A. F. Luke of the Washington, A. P. Weeks of the Hide and Leather, F. Campbell of the Traders', C. W. Stone of the Revere, T. H. Breed of the Second, W. J. Mandell of the Tremont. The following-named committee was chosen to nominate officers: Messrs. Meins of the Second, Stone of the Revere, Treadwell of the Washington, Ogden of the Columbian, Woodward of the First, Tanney of the Globe, Kollock of the New England, Abbott of the Hide and Leather, Merrill of the Redemption. The meeting adjourned, subject to the call of the constitution committee.

AN EXCELLENT BANKING LAW.—The legislature of Vermont has enacted a new savings bank law, the 31st section of which is the following: No officer, trustee, director or employee of any savings bank, savings institution or trust company shall receive any fee, present, benefit or commission, directly or indirectly, from any borrower or applicant for a loan, or from any one negotiating securities at the institution or company of which he is an officer, trustee, director or employee; nor shall he receive any fee, commission, benefit or profit, directly or indirectly, for any loan made or securities bought or sold by such institution or company, except the benefit or profit he may derive in common with other depositors or stockholders, and the compensation allowed by such institution or company, for services and expenses.

CATTLE COMPANIES.—Some of the wealthiest cattle companies are located in Texas, Colorado and New Mexico, as follows: Texas Live Stock Company, \$45,000,000; Cherokee Live Stock, \$45,000,000; South Texas, \$21,000,000; Northern New Mexico, \$10,000,000; Central New Mexico, \$6,000,000; Lincoln Company of New Mexico, \$8,000,000; Milo A. Smith, Socorro, N. M. \$2,000,000. A dozen companies represent \$175,000,000. In this ratio it will be only a few years before the vast domain of fine grazing land will be controlled by cattle companies and reap the immense profits of this multiplying wealth of the United States.



**SETTLEMENT OF UNION PACIFIC RAILROAD INDEBTEDNESS TO THE GOVERNMENT.**—On the 27th of January, Senator Hoar reported a bill that instructs the Secretary of the Treasury to ascertain the amount of indebtedness of the Union Pacific Railroad and its branches to which the subsidy bonds of the United States were advanced in aid of its construction. It authorizes the Union Pacific Railway Company to issue and deliver to the Secretary of the Treasury its bonds dated April, 1, 1885, for the amount of its indebtedness, bearing interest at the rate of 3 per cent. each for an amount equal to one one-hundred-and-twentieth of its indebtedness, the interest to be paid semi-annually, all the property of the road to be security for the payment of said bonds by a mortgage or other conveyance. The bill secures to the Government the use of the road for postal, military and other purposes, and a failure on the part of the road to pay any of its redemption bonds when due shall make all the bonds due and payable. In case the company shall fail to accept the provisions of the act, then 35 per cent. of their annual gross savings shall be collected by the United States.

**THE UNION PACIFIC CLAIMS.**—The Court of Claims decided the long-pending cases of the *Union Pacific Railroad Company v. The United States*. Chief Justice Richardson delivered the opinions of the Court. The following is a synopsis of the points decided :

The amount allowed by the Treasury Department for carrying the mails—being the same rates allowed by law to all other railroad companies—is a fair and reasonable compensation and not in excess of that paid by private parties for the same kind of service.

The United States are bound to pay for the transportation of their passengers (troops, etc.) from Council Bluffs to Omaha, over the bridges and between Council Bluffs and Oregon, the same rates paid by private parties—these rates being fair and reasonable—and the United States are not entitled to the reduction accorded to passengers who purchase through tickets between New York and San Francisco and other distant places, unless their passengers purchase tickets in like manner.

The company is required to pay into the Treasury of the United States each year five per cent. of the net earnings, under the act of 1862 and under the Thurman Act, since its passage, in addition thereto, so much of the \$850,200 as, with said five per cent. and the whole compensation for government transportation, will equal twenty-five per cent. of its net earnings.

In determining what the net earnings are, the expenses *bona fide* paid out of earnings and not charged to construction or capital are to be deducted from the gross earnings, although they are partly in the nature of permanent improvements.

In stating the account to December 31, 1882, the Court finds approximately that the United States owe the company \$2,975,700, and the company owes the United States \$5,734,392, deducting one from the other, and the United States are entitled to judgment on their counter claims against the company of \$2,758,692.

The accounting officers of both parties are to make accurate computations in accordance with the principles and formula laid down in the findings of facts and opinions. Judgment is postponed until their calculations are made and handed to the Court for examination and final action.

**MONEY IN THE SOUTH**—Professor Dodge, in the *Manufacturers' Record*, says that one of the evils under which the entire South is laboring is the excessive rate of interest charged by banks and by local money-changers. At Asheville one man gets 2 per cent. a month on all loans under twelve months, and 12 per cent. a year on "long-time payments." You cannot get a check or draft cashed for less than twenty-five or thirty cents, and even then the bank officials do it with a patronizing air. There are dozens of towns all through the Carolinas and Georgia where capitalists could do a fine banking business in competition with the old banks, which charge 10 and 12 per cent. a year without a blush. When money can be had in New York for 3 per cent. a year, there is no reason why it could not be obtained in the South for 6.

**A WEALTHY BANK THIEF.**—The trial was begun at Cleveland, Ohio, on the thirteenth of January, of the case of the Farmers and Mechanics' Bank of Galesburg Ill., against John Lainey, of that city. Lainey is known in police and criminal circles as "Mollie Matches," the pickpocket and bank sneak-thief. He has for years perpetrated the most audacious robberies. The shrewdest detectives worked long to get a case on him, but he eluded them. Unlike most of his craft, he saved his money, and owns valuable real estate and houses here to the amount of \$50,000. It remained for the police of the little town of Galesburg to send "Mollie," to State Prison, where he is now serving a three years' sentence. The bank, having sent him there, brought the above-mentioned suit to recover from his property the \$9,600 stolen by "Mollie" and four confederates. One of these, Patrick Guerin, testified that, having concluded that the Galesburg Bank was a good one to work, they sent for "Matches," who agreed with them. One of them went to a neighboring town and hired a horse and a wagon containing a large box, and hitched the team near the bank about noon. "Matches" watched the president and the treasurer go out of the bank, and then lifted his hat as a signal to his confederates to advance. "Matches" went inside, when a little girl came along, looked in at the window, and nearly spoiled the scheme. One of the confederates enticed her away, and then Mrs. Colton, wife of the president drove up. "Matches" tried to induce the cashier to go out and talk to her, but he was not to be thus caught. Then "Matches" proceeded to buy a New York draft with small silver, which he counted with much noise. Another confederate stood near, holding up a paper that screened a third, who crept forward, picked a lock, and sneaked in behind the cashier, where he quickly scraped up \$9,600 while "Matches" was quarreling with the cashier about the draft. "Matches" finally admitted that he, and not the cashier, had made a mistake in the count, and gathering up his money he walked calmly out, saying he would raise enough to buy the draft. Once outside the three sprang into the dry-goods box and were driven by the fourth to the station. That night, on the train for Chicago, they divided the money, and it was not until months afterward that the first of the quartet, "Matches," was captured in Cincinnati.

**VIRGINIA.**—On the 11th of February Judge Bond delivered an opinion in the United States Circuit Court, in the case of *E. Parsons vs. Greenhow*, and announced that a preliminary injunction would be awarded in the case. The injunction is mandatory, compelling the State officers to receive coupons of the bonds of the issue of 1871 in payment of taxes.

### OBITUARY.

**FRANCIS A. DREXEL**, the senior of the two brothers at the head of the famous Drexel banking-houses in Philadelphia, New York and Paris, died suddenly, February 15. He was the eldest son of Francis M. Drexel, the founder of the greatest banking-house in this country, and one in which all the capital is American. The father started business in a small way in Philadelphia, and his three sons, Francis A., who died Feb. 15, Anthony J., who now becomes the head of the house, and Joseph W., of Philadelphia, who retired a few years ago, were brought into it as soon as they graduated from school. After the death of the father, Francis became the mainstay of the Philadelphia house. The firm was first Drexel, Reed & Co., then Drexel, Winthrop & Co., and it was not until the time of the war that the New York house was started. Soon after that the old firm of Dabney, Morgan & Co. dissolved, and Mr. Morgan entered the firm, which then became Drexel, Morgan & Co. It was not until 1868 that the Paris house was started. Mr. Drexel was the senior partner in the three houses, each of which has partners who have no interest in either of the other three. His charities were many, but concealed from the world, for his name seldom appeared upon a subscription paper, though his check was always forthcoming in aid of a worthy object. It is estimated that his estate will be found to be worth from \$20,000,000 to \$25,000,000.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

(Monthly List, continued from February No., page 632.)

State.	Place and Capital.	Bank or Banker.	Cashier and N. Y. Correspondent.
ARIZ...	Tucson.....	Bank of Tucson.....	Chemical National Bank.
ARK...	Little Rock....	Exchange Nat'l Bank....	Imp. & Traders' National Bank.
	\$ 100,000	W. P. Homan, <i>Pr.</i>	J. S. Pollock, <i>Cas.</i>
DAK...	Grand Forks...	Grand Forks Nat'l Bank..	National Bank of the Republic.
	\$ 50,000	Michael L. McCormack, <i>P.</i>	W. O'Mulcahy, <i>Cas.</i>
"	.. Jamestown ....	Stutsman's Co. Bank.....	.....
		A. J. Feezer, <i>Pr.</i>	G. L. Raymond, <i>Cas.</i>
ILL....	Centralia.....	The Old Nat'l Bank.....	Fourth National Bank.
	\$ 80,000	Edwin S. Condit, <i>Pr.</i>	Ferdinand Kohl, <i>Cas.</i>
"	.. Troy.....	Troy Exchange Bank ....	.....
	\$ 200,000	E. E. Kirkpatrick, <i>Pr.</i>	J. S. Dilliard, <i>Cas.</i>
IND....	Muncie.....	The Burson Banking Co..	National Bank of Republic.
	\$ 100,000	S. A. Wilson, <i>Pr.</i>	J. E. Burson, <i>Cas.</i>
KANSAS.	Newton.....	Newton National Bank...	National Bank of Commerce.
	\$ 65,000	John Reese, <i>Pr.</i>	C. R. McLain, <i>Cas.</i>
"	.. New Kiowa.....	Bank of New Kiowa.....	Seaboard Bank.
	\$ 25,000	A. Drumm, <i>Pr.</i>	J. L. B. Ellis, <i>Cas.</i>
"	.. Westmoreland.	First National Bank.....	.....
	\$ 50,000	A. Richards, <i>Pr.</i>	A. B. Pomeroy, <i>Cas.</i>
MD....	Chestertown ..	Chestertown National Bk.	First National Bank.
	\$ 50,000	Geo. B. Westcott...	Jos. Peterson, <i>Cas.</i>
MICH...	Detroit.....	Citizens' Savings Bank...	Chase National Bank.
	\$ 100,000	M. H. Butler, <i>Pr.</i>	E. K. Roberts, <i>Tr.</i>
MINN...	Brainerd.....	Lumbermen's Exch. Bank.	American Exch. National Bank.
	\$ 15,000	John N. Nevers, <i>Pr.</i>	C. L. Spaulding, <i>Cas.</i>
MO....	Fredericktown .	Thorne & Co.....	United States National Bank.
"	.. Hale.....	Bank of Hale.....	Bank of North America.
	\$ 12,250	Harvey Batts, <i>Pr.</i>	A. Johnson, <i>Cas.</i>
NEB....	Arapahoe.....	First National Bank.....	Chemical National Bank.
	\$ 50,000	John W. Tomblin, <i>Pr.</i>	D. M. Tomblin, <i>Cas.</i>
"	.. Phillips.....	Bank of Phillips.....	(George Proudft.)
N. Y....	Malone.....	People's National Bank..	Chase National Bank.
	\$ 150,000	Howard E. King, <i>Pr.</i>	Hiram T. French, <i>Cas.</i>
OHIO...	Orrville.....	Farmers' Bank.....	Imp. & Traders' National Bank.
		Samuel Snively, <i>Pr.</i>	D. G. Horst, <i>Cas.</i>
OREGON	Albina.....	Leahy & Solis.....	.....
"	.. Wasco.....	W. M. Barnett.....	.....
PENN...	Grove City....	Grove City Banking Co..	Imp. & Traders' National Bank.
		(A. E. Graham.)	
TEX....	San Antonio...	Texas National Bank ...	Mercantile National Bank.
	\$ 100,000	John S. Alexander, <i>Pr.</i>	.....
UTAH...	Salt Lake City.	Union National Bank....	Imp. & Traders' National Bank.
	\$ 200,000	Jos. R. Walker, <i>Pr.</i>	Benj. G. Raybould, <i>Cas.</i>
WIS. ...	Darlington....	Citizens' National Bank..	Kountze Bros.
	\$ 50,000	James Judge, <i>Pr.</i>	H. J. Gallagher, <i>Cas.</i>
CANADA	New Hamburg.	Western Bank of Canada.	Bank of Montreal, N. Y.
		T. D. Allin, <i>Manager.</i>	

THE FIRST BANKING TRANSACTION.—The first banking transaction is recorded in Holy Writ, when Pharaoh received a "certified" check on the Bank of the Red Sea, crossed by Moses and Company.

## CHANGES OF PRESIDENT AND CASHIER.

*(Monthly List, continued from February No.; page 632.)*

	<i>Bank and place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	—Chase National Bank....	Lewis E. Ransom, <i>V. Pr.</i>	J. J. Thompson
ARIZ...	First National Bank, Prescott. }	T. J. Butler, <i>Pr.</i> .....	F. W. Blake.
		Edw. A. Hawley, <i>V. Pr.</i>	T. J. Butler.
ARK....	Arkansas N. B., Hot Springs...	T. B. Rix, <i>Ass't Cas.</i> .....	.....
CAL....	First National Bank, Stockton.	I. S. Bostwick, <i>V. Pr.</i> ....	R. M. Henry.
COL....	First Nat'l Bank, Durango.... }	Chas. Thurlow, <i>Pr.</i> .....	J. A. Cooper.
		C. M. Williams, <i>V. Pr.</i> ....	D. L. Sheets.
" ..	First Nat'l Bank, Fort Collins.	A. P. Camp, <i>Cas.</i> .....	G. W. Brown.
" ..	First National Bank, Trinidad. }	L. E. Hinckley, <i>A. C.</i> .....	.....
		R. H. Purington, <i>V. Pr.</i>	S. Doss.
		A. M. Hawley, <i>Ass't Cas.</i>	S. B. Brown.
CONN...	Winsted Nat'l B'k, Winsted...	I. C. Gaylord, <i>Cas.</i> .....	H. C. Young.
DAK...	Capital Nat'l B'k, Bismarck....	Frank G. Wilkins, <i>A. C.</i> .....	.....
" ..	Red River Val. N. B., Fargo.	Stephen Gardner, <i>V. Pr.</i>	M. A. Kindred.
" ..	Grafton Nat'l B'k, Grafton.... }	F. R. Fulton, <i>Pr.</i> .....	W. W. Hartwell.
		W. W. Hartwell, <i>V. Pr.</i>	F. R. Fulton.
		M. W. Harden, <i>A. C.</i> .....	J. S. Tucker.
" ..	Beadle Co. Nat'l B'k, Huron.	T. M. Jeffris, <i>Pr.</i> .....	E. F. Dutton.
		L. H. Starkey, <i>V. Pr.</i> ....	R. W. Holmes.
" ..	First National Bank, Sioux Falls.	Chas. E. Byrant, <i>A. C.</i> .....	.....
" ..	Dakota N. B., Sioux Falls....	H. L. Hollister, <i>V. Pr.</i> ....	C. I. Irvine.
" ..	First National Bank, Wahpeton. }	W. F. Furbeck, <i>Cas.</i> .....	H. L. Hollister.
		C. C. Carpenter, <i>A. C.</i> .....	.....
" ..	First National Bank, Watertown.	A. J. Goodhue, <i>V. Pr.</i> ....	J. W. Hayward.
" ..	First Nat'l Bank, Watertown.	J. W. Hayward, <i>Cas.</i> ....	A. J. Goodhue.
FLA....	Palatka Nat'l Bank, Palatka....	W. R. Thomas, <i>V. Pr.</i> ....	A. C. Mellette.
FLA....	Palatka Nat'l Bank, Palatka....	C. Carleton, <i>Cas.</i> .....	A. J. Morton.
IDAHO	First Nat'l Bank, Ketchum....	Geo. B. Moulton, <i>V. Pr.</i>	E. C. Coffin.
ILL....	Second National Bank, Belvidere. }	John J. Foot, <i>V. Pr.</i> .....	M. Ramsey.
		Frank Sewell, <i>Ass't Cas.</i>	H. B. Sykes.
" ..	City National Bank, Cairo....	John S. Aisthrope, <i>A. C.</i> .....	.....
" ..	Old Nat'l Bank, Centralia.....	S. M. Warner, <i>V. Pr.</i> .....	.....
" ..	Home National Bank, Chicago. }	H. H. Blake, <i>Cas.</i> .....	Geo. Fuller.
		Wm. McDougall, <i>A. C.</i> .....	H. H. Blake.
" ..	Galesburg Nat'l B'k, Galesburg.	B. F. Arnold, <i>V. Pr.</i> ....	A. A. Smith.
" ..	First Nat'l Bank, Kewanee ....	C. E. McCullough, <i>Cas.</i> ....	C. S. Wentworth.
" ..	Union Nat'l Bank, Macomb....	J. D. Hixson, <i>Ass't C.</i> ....	G. L. Lindley.
" ..	Mattoon Nat'l Bank, Mattoon.	Mark Kahn, <i>V. Pr.</i> .....	G. T. Kilner.
" ..	Nat'l City Bank, Ottawa.....	A. F. Shoch, <i>Ass't Cas.</i> .....	.....
" ..	Farmers' Nat'l Bank, Pekin....	F. Shurtleff, <i>V. Pr.</i> .....	.....
" ..	Commercial N. B'k, Peoria....	G. T. Barker, <i>V. Pr.</i> .....	.....
" ..	Merchants' National Bank, Peoria. }	E. A. Proctor, <i>Pr.</i> .....	H. N. Wheeler.
		John D. McClure, <i>V. Pr.</i> .....	.....
" ..	First Nat'l Bank, Petersburg.	John Tice, <i>V. Pr.</i> .....	H. B. Rankin.
" ..	First National Bank, Pittsfield. }	C. P. Chapman, <i>Pr.</i> .....	C. L. Higbee.
		A. C. Matthews, <i>V. Pr.</i> ....	C. P. Chapman.
" ..	Livingston Co. N. B., Pontiac.	Thos. Williams, <i>V. Pr.</i> ....	P. M. Schwarz.
" ..	Ricker National Bank, Quincy.	Edward Sohn, <i>Pr.</i> .....	I. Sesem.
" ..	Farmers' National Bank, Springfield.	Willis Haselwood, <i>V. Pr.</i>	E. Sohn.
" ..	Farmers' National Bank, Springfield.	Ben. F. Caldwell, <i>Pr.</i> ....	J. Merriam.
" ..	Farmers' National Bank, Springfield.	Isaac Keys, <i>1st. V. Pr.</i> ....	B. F. Caldwell.
" ..	Farmers' National Bank, Springfield.	Sam'l Mendenhall, <i>2d V. Pr.</i>	I. Keys.
IND....	Central National Bank, Greencastle. }	L. Z. Lockridge, <i>Pr.</i> .....	D. C. Bridges.
		Wm. Bridges, <i>V. Pr.</i> .....	R. Z. Lockridge.
" ..	South Bend N. B., So. Bend...	D. H. Baker, <i>V. Pr.</i> .....	.....

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
IOWA...	First National Bank, Albia...	Ben. F. Elbert, <i>V. Pr.</i> ...	A. Trusdell.
"	Clarinda National Bank, Clarinda...	Tom D. Lockman, <i>Cas.</i> ...	B. F. Elbert.
"	"	John Dowdell, <i>V. Pr.</i> ...	V. Graff.
"	"	W. W. Newlon, <i>Cas.</i> ...	I. J. Poley.
"	Davenport N. B., Davenport...	S. D. Bowden, <i>Ass't Cas.</i> ...	C. A. Mast.
"	Scott Co. Sav. B'k, Davenport...	J. H. Hass, <i>Cas.</i> ...	Chas. S. Watkins.
"	First National Bank, Dubuque...	C. H. Eighmey, <i>V. Pr.</i> ...	F. Hinds.
"	"	O. E. Guernsey, <i>Cas.</i> ...	C. H. Eighmey.
"	First Nat'l Bank, Hampton...	N. W. Beebe, <i>Ass't Cas.</i> ...	.....
"	Iowa City N. B., Iowa City...	Geo. W. Lewis, <i>V. Pr.</i> ...	.....
"	Farm. & Trad. N. B., Oskaloosa...	Jas. F. McNeill, <i>A. C.</i> ...	.....
"	First National Bank, Tipton...	H. L. Dean, <i>V. Pr.</i> ...	W. H. Cobb.
"	"	Clarence, Jewett, <i>Cas.</i> ...	.....
"	First Nat'l Bank, Villisca...	B. F. Fast, <i>Ass't Cas.</i> ...	.....
"	First Nat'l Bank, Washington...	Jos. Keck, <i>Pr.</i> ...	N. Everson.
"	First Nat'l Bank, What Cheer...	Jos. Keck, <i>Pr.</i> ...	C. H. Keck.
KAN....	Newton National Bank, Newton...	A. H. McLain, <i>V. Pr.</i> ...	.....
"	"	A. O. McLain, <i>A. C.</i> ...	.....
"	B'k of Nemaha Co., Seneca...	T. W. Johnston, <i>Cas.</i> ...	J. H. Johnston.
"	First Nat'l Bank, Sterling...	W. M. Lamb, <i>V. Pr.</i> ...	D. J. Fair.
"	Strong City N. B., Strong City...	W. M. Davis, <i>Ass't Cas.</i> ...	.....
"	First National Bank, Topeka...	P. G. Noel, <i>Pr.</i> ...	G. Willard.
"	Woodson N. B., Yates Center...	A. Todman, <i>V. Pr.</i> ...	.....
KY....	National Bank of Lancaster...	John S. Gill, <i>Pr.</i> ...	Geo. Denny.
"	Second Nat'l Bank, Lexington...	J. H. Graves, <i>V. Pr.</i> ...	R. A. Thornton.
"	Kentucky National Bank, Louisville...	J. M. Fetter, <i>Pr.</i> ...	R. Whitner.
"	"	H. C. Truman, <i>Cas.</i> ...	J. M. Fetter.
"	First Nat'l Bank, Mayfield...	D. B. Stanfield, <i>A. C.</i> ...	.....
"	Farmers' National Bank, Owenton...	Wm. Lindsay, <i>Pr.</i> ...	A. B. Davis.
"	"	J. H. Cunningham, <i>V. P.</i> ...	F. W. Staier.
"	First National Bank, Owenton...	J. S. Forsee, <i>Pr.</i> ...	J. W. Johnson.
"	"	H. D. Barker, <i>V. Pr.</i> ...	J. S. Forsee.
"	Farmers' Nat'l B'k, Richmond...	Jas. Bennett, <i>V. Pr.</i> ...	.....
"	National Bank of Somerset...	J. M. Richardson, <i>V. Pr.</i> ...	.....
"	Winchester N. B., Winchester...	Jesse E. Gordon, <i>V. Pr.</i> ...	.....
MASS...	Palmer Nat'l Bank, Palmer...	Jas. B. Shaw, <i>Pr.</i> ...	A. H. Willis.
"	Bristol Co. N. B., Taunton...	H. W. Church, <i>Pr.</i> ...	Theo. Dean.*
"	Williamstown N. B., Will'stown...	A. L. Perry, <i>V. Pr.</i> ...	.....
MICH.	Big Rapids Nat'l Bank, Big Rapids...	H. P. Wyman, <i>V. Pr.</i> ...	W. W. Smith.
"	"	C. W. Cunningham, <i>A. C.</i> ...	.....
"	Commercial N. B., Detroit...	Austin E. Wing, <i>A. C.</i> ...	.....
"	Ishpeming N. B., Ishpeming...	Sam'l Mitchell, <i>V. Pr.</i> ...	.....
"	First National Bank, Ithaca...	Wm. E. Winton, <i>V. Pr.</i> ...	J. H. Seaver.
"	Merchants' Nat'l B., Muskegon...	Mathew Wilson, <i>V. Pr.</i> ...	S. A. Hopstia.
"	First Nat'l Bank, St. Clair...	B. W. Jenks, <i>V. Pr.</i> ...	S. F. Hopkins.
"	Three Rivers N. B., Three Rivers...	Henry Hall, <i>V. Pr.</i> ...	L. T. Wilcox.
"	First National Bank, Vassar...	M. B. Slafter, <i>Ass't Cas.</i> ...	.....
MINN...	First Nat'l Bank, Brainard...	G. W. Holland, <i>Pr.</i> ...	H. J. Spencer.
"	"	H. J. Spencer, <i>Cas.</i> ...	G. W. Holland.
"	"	G. W. La Bar, <i>Ass't Cas.</i> ...	H. H. Barber.
"	First Nat'l Bank, Crookston...	Chas. E. Sawyer, <i>Cas.</i> ...	A. Bates.
"	First Nat'l Bank, Lake City...	C. F. Seavey, <i>Ass't Cas.</i> ...	.....
"	Second Nat'l Bank, St. Paul...	A. M. P. Cowley, <i>A. C.</i> ...	.....
MISS...	Meridian National Bank, Meridian...	T. W. Brown, <i>Pr.</i> ...	W. H. Hardy.
"	"	E. Watkins, <i>V. Pr.</i> ...	T. W. Brown.
"	First Nat'l Bank, Vicksburg...	Thos. Mount, <i>V. Pr.</i> ...	.....
MO....	B. of Springfield, No. Spr'gfield...	J. F. G. Bentley, <i>Cas.</i> ...	C. B. Sperry.
"	Exchange Bank, Springfield...	L. H. Murray, <i>Pr.</i> ...	Jno. B. Noland.
"	"	L. Holland, <i>Cas.</i> ...	W. G. Porter, <i>Act.</i>
"	National Bank of St. Joseph...	W. M. Wyethe, <i>V. Pr.</i> ...	.....
MONT...	First National Bank, Billings...	P. W. McAdow, <i>V. Pr.</i> ...	W. L. Peck.
NEB....	Beatrice Nat'l B'k, Beatrice...	J. B. Weston, <i>Pr.</i> ...	E. E. Drown.
"	"	N. S. Harwood, <i>V. Pr.</i> ...	W. Lamb.
"	"	D. W. Cook, <i>Cas.</i> ...	C. M. Brown.

\* Deceased.

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
NEB....	First Nat'l Bank, Exeter.....	C. S. Cleaveland, <i>Pr</i> .....	A. W. Miner.
" ..	First National Bank,	P. J. Faling, <i>V. Pr</i> .....	F. H. L. Lee.
" ..	Fall City.	F. M. Shirley, <i>Cas</i> .....	C. S. Cleaveland.
" ..	First Nat'l Bank, Fremont....	John W. Holt, <i>V. Pr</i> ....	J. C. Lincoln.
" ..	Kearney Nat'l Bank, Kearney..	P. H. Jussen, <i>Cas</i> .....	J. W. Holt.
" ..	Lincoln National B'k, Lincoln..	Manley Rogers, <i>Pr</i> .....	T. Nye.
" ..	First Nat'l Bank, North Bend..	E. H. Barnard, <i>V. Pr</i> ....	L. H. Rogers.
" ..	First National Bank,	C. M. Williams, <i>Cas</i> .....	M. Rogers.
" ..	Red Cloud.	S. C. Ayer, <i>Ass't Cas</i> ....	.....
NEV....	First National Bank, Reno.....	C. T. Boggs, <i>Cas</i> .....	J. J. Kelly.
N. H....	Ashland Savgs B'k, Ashland...	M. E. Fuller, <i>Pr</i> .....	J. Sloss.
" ..	First National Bank,	J. L. Miller, <i>V. Pr</i> .....	J. Moore.
" ..	Concord.	John Moore, <i>Cas</i> .....	E. H. Ambler.
N. J....	National State Bank, Camden..	Geo. H. Taylor, <i>A. C</i> ....	M. J. Dillman.
" ..	Mt. Holly Nat'l B'k, Mt. Holly.	F. M. Hughes, <i>Pr</i> .....	Franklin Scribner.*
" ..	Vineland Nat'l B'k, Vineland..	W. F. Thayer, <i>Pr</i> .....	Wm. M. Chase.
N. MEX.	First National Bank,	C. G. Remick, <i>Act'g Cas</i> ..	W. F. Thayer.
" ..	Socorro.	W. F. Rose, <i>Cas</i> .....	I. C. Martindale.
N. Y....	Nat'l Exch. Bank, Albany.....	B. F. Lee, <i>V. Pr</i> .....	.....
" ..	Third National Bank,	R. C. Souder, <i>V. Pr</i> ....	A. W. Thorndyke.
" ..	Buffalo.	T. J. Terry, <i>V. Pr</i> .....	.....
" ..	Ontario Co. N.B., Canandaigua	W. H. Moore, <i>Ass't Cas</i> ..	.....
" ..	Lake Shore National Bank,	L. Merchant, <i>V. Pr</i> .....	.....
" ..	Dunkirk.	J. D. Hill, <i>V. Pr</i> .....	.....
" ..	First National Bank,	N. Rochester, <i>Cas</i> ....	B. B. Hamilton.
" ..	Glens Fall.	J. B. Crocker, <i>Ass't Cas</i> ..	.....
" ..	Nat'l B'k of Granville.....	W. T. Colman, <i>Pr</i> .....	T. R. Colman.*
" ..	First Nat'l B'k, Penn Yan....	A. J. Lunt, <i>Cas</i> .....	W. T. Colman.
" ..	Vilas Nat'l Bank, Plattsburg...	J. Lapham, <i>Pr</i> .....	.....
" ..	Poughkeepsie N.B., P'keepsie..	M. A. Sheldon, <i>V. Pr</i> ....	J. Lapham.
" ..	Salamanca N.B., Salamanca...	W. H. Brownell, <i>A. C</i> ....	.....
" ..	Wyoming Co. N. B., Warsaw..	Geo. H. Lapham, <i>Pr</i> .....	J. C. Scheetz.
N. C....	First National Bank, Winston..	H. K. Armstrong, <i>Cas</i> ....	G. H. Lapham.
OHIO....	Central Nat'l B'k, Cambridge..	Chas. Young, <i>Ass't Cas</i> ..	H. K. Armstrong.
" ..	Cincinnati N. B., Cincinnati...	H. A. Newton, <i>Cas</i> .....	E. F. Lee.
" ..	Third Nat'l B'k, Circleville....	A. J. Ketcham, <i>Pr</i> .....	J. G. Boyd.
" ..	Merch. Nat'l B'k, Cleveland....	Chas. M. Dow, <i>V. Pr</i> ....	W. W. Dow.
" ..	First Nat'l Bank, Fostoria....	L. H. Humphrey, <i>Cas</i> ....	L. H. Humphrey, Jr.
" ..	First National Bank,	L. W. Pegram, <i>A. C</i> ....	W. A. Whittaker.
" ..	Gallipolis.	L. W. McCartney, <i>A. C</i> ....	.....
" ..	First Nat'l Bank, Ironton.....	Frank Alter, <i>V. Pr</i> .....	K. F. Benndorf.
" ..	Bank of Marietta, Marietta....	Alex. Smith, <i>V. Pr</i> .....	W. J. Weaver.
" ..	Millford Nat'l Bank, Millford...	T. P. Handy, <i>V. Pr</i> .....	.....
" ..	Pomeroy Nat'l B'k, Pomeroy...	Alonzo Emerine, <i>Cas</i> ....	J. C. F. Hull.
" ..	Quaker City N. B., Quaker City.	J. H. Evans, <i>V. Pr</i> .....	.....
" ..	Citizens' Nat'l B'k, Sandusky..	C. A. Deletombe, <i>A. C</i> ....	F. H. Deletombe.
" ..	Springfield N. B'k, Springfield.	E. B. Willard, <i>V. Pr</i> ....	J. H. Campbell.
" ..	Jefferson N. B., Steubenville...	Wilson Waters, <i>Cas</i> ....	A. B. Waters.*
" ..	First National Bank,	Sam'l Bass, <i>V. Pr</i> .....	W. Rondebush.
" ..	St. Paris.	G. W. Murdock, <i>V. Pr</i> ....	.....
" ..	Citizens' National Bank,	I. P. Steele, <i>Ass't Cas</i> ..	.....
" ..	Urbana.	John Krupp, <i>V. Pr</i> .....	G. Graham.
" ..	Citizens' N. B'k, Zanesville...	W. S. Rabbitts, <i>A. C</i> ....	.....
OREGON	First National Bank, Salem....	R. L. Brownlee, <i>Pr</i> .....	J. Gallagher.
" ..	First National Bank, Union....	D. J. Brubaker, <i>Pr</i> .....	J. Poorman.
PENN....	Second Nat'l B'k, Clarion.....	Isaac Comer, <i>V. Pr</i> .....	H. Saylor.
" ..	Corry National Bank, Corry....	C. F. Colwell, <i>Pr</i> .....	O. Taylor.
" ..	First National Bank, Oil City..	J. M. Mosgrove, <i>V. Pr</i> ....	C. F. Colwell.
" ..	First National Bank, Union....	H. C. Van Voorhis, <i>Pr</i> ....	J. T. Gorsuch.
" ..	First National Bank, Salem....	Wm. N. Ladue, <i>Pr</i> .....	W. Reid.
" ..	First National Bank, Union....	Geo. Wright, <i>Pr</i> .....	D. W. Lichtenhaler
PENN....	Second Nat'l B'k, Clarion.....	J. A. L. Myers, <i>Ass't C</i> ..	.....
" ..	Corry National Bank, Corry....	C. H. Ames, <i>V. Pr</i> .....	H. F. Sweetser.
" ..	First National Bank, Oil City..	J. M. Berry, <i>Cas</i> .....	R. C. Beveridge.

\* Deceased.

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
■	.. Farmers' Nat'l B'k, Pennsburg.	B. F. Leidy, <i>Cas.</i>	J. M. Slifer.
■	.. Merch. & Mfrs. N.B., Pittsburgh	Stewart McKee, <i>V. Pr.</i>	.....
■	.. Beaver Co. Banking & Safe Deposit Assoc. Rochester.	C. J. Wack, <i>Cas.</i>	G. H. Karcher.
■	.. First Nat'l B'k, Saltsburg.	S. Waddle, Sr., <i>Cas.</i>	S. B. Mercer.
S. C.	.. Nat'l Bank of Sumter.	A. J. Chinn, <i>V. Pr.</i>	H. Harby.
TENN.	.. First Nat'l B'k, Centreville.	Wm. G. Clagett, <i>V. Pr.</i>	.....
■	.. German Nat'l B'k, Memphis.	Louis Hananer, <i>V. Pr.</i>	J. C. Neeley.
■	.. State National Bank, Memphis.	W. D. Bethell, <i>Pr.</i>	A. Woodruff.
■	.. Giles Nat'l Bank, Pulaski.	A. Woodruff, <i>V. Pr.</i>	W. D. Bethell.
■	.. City Nat'l Bank, Austin.	John S. Wilkes, <i>V. Pr.</i>	J. McCullum.
TEX.	.. Dallas Nat'l Bank, Dallas.	E. Christian, <i>V. Pr.</i>	.....
■	.. First Nat'l B'k, Denison.	J. T. Trezevant, <i>V. Pr.</i>	R. V. Tompkins.
■	.. Hill Co. Nat'l Bank, Hillsboro.	W. B. Munson, <i>Pr.</i>	J. Scullin.
■	.. Collin Co. N. B., McKinney.	J. T. Munson, <i>V. Pr.</i>	.....
■	.. First National Bank, Montague.	Edward Perry, <i>Cas.</i>	F. M. Adams.
■	.. Concho N. B., San Angelo.	W. B. Ward, <i>V. Pr.</i>	A. B. Smith.
■	.. Traders' Nat'l Bank, San Antonio.	J. L. White, <i>Ass't Cas.</i>	.....
■	.. First National Bank, Taylor.	John H. Stephens, <i>Pr.</i>	G. M. Barefoot.
■	.. Citizens' N. B., Weatherford.	F. M. Kinsey, <i>V. Pr.</i>	J. H. Stephens.
■	.. First Nat'l B'k, Provo City.	J. W. Elliott, <i>Cas.</i>	W. Childress.
■	.. Barton National Bank, Barton.	J. S. Thornton, <i>Pr.</i>	J. M. Bronson.
■	.. National Bank of Lyndon.	Jas. P. Earl, <i>Cas.</i>	J. S. Thornton.
■	.. First Nat'l Bank, Montpelier.	A. Armstrong, <i>V. Pr.</i>	J. P. Sturgis.
■	.. Roanoke National Bank, Roanoke.	H. Dickson, <i>Ass't Cas.</i>	.....
■	.. Farmers' Nat'l B'k, Salem.	Chas. Barthold, <i>V. Pr.</i>	A. R. Andrews.
UTAH.	.. Barton National Bank, Barton.	John R. Twelves, <i>A. C.</i>	.....
VT.	.. National Bank of Lyndon.	A. Davison, <i>Pr.</i>	H. McLellan.
■	.. First Nat'l Bank, Montpelier.	B. M. R. Nelson, <i>V. Pr.</i>	A. Davison.
■	.. Roanoke National Bank, Roanoke.	D. N. Trull, <i>Pr.</i>	L. K. Quimby.
■	.. Farmers' Nat'l B'k, Salem.	C. M. Chase, <i>V. Pr.</i>	D. N. Trull.
■	.. First Nat'l Bank, Colfax.	F. L. Eaton, <i>Cas.</i>	J. C. Houghton.
■	.. First National Bank, Dayton.	M. M. Rogers, <i>Pr.</i>	E. G. McClanahan.
■	.. First Nat'l Bank, Olympia.	Lucian H. Cocke, <i>V. Pr.</i>	.....
■	.. Merchants' Nat'l Bank, Seattle.	S. F. Simmonds, <i>V. Pr.</i>	J. J. Moorman.
■	.. First Nat'l B'k, Spokane Falls.	Levi Ankeny, <i>Pr.</i>	M. S. Burrell.
■	.. Merchants' Nat'l B'k, Tacoma.	Edw. A. Hawley, <i>Pr.</i>	J. Berry.
■	.. First Nat'l Bank, Walla Walla.	E. Ping, <i>V. Pr.</i>	E. A. Hawley.
■	.. First Nat'l Bank, Olympia.	W. P. Book, <i>V. Pr.</i>	G. A. Barnes.
■	.. Merchants' Nat'l Bank, Seattle.	W. H. Reeves, <i>V. Pr.</i>	J. Campbell.
■	.. First Nat'l B'k, Spokane Falls.	H. M. McCartney, <i>V. Pr.</i>	L. H. Whitehouse.
■	.. Merchants' Nat'l B'k, Tacoma.	Sam'l Wilkerson, Jr., <i>V. Pr.</i>	G. F. Orchard.
■	.. First Nat'l Bank, Walla Walla.	W. H. Hine, <i>Cas.</i>	H. E. Johnson.
W. VA.	.. Charleston N. B., Charleston.	W. B. Seaton, <i>Ass't Cas.</i>	.....
■	.. Nat'l B'k of W. Va., Wheeling.	L. E. Sand, <i>Ass't Cas.</i>	.....
■	.. Nat'l Exch. Bank, Weston.	N. B. Newlon, <i>Ass't Cas.</i>	.....

FRENCH SPOILIATION CLAIMS.—The United States has for many years been almost the only civilized country which pursued the policy of keeping its citizens in ignorance of any money which might be due to them on any other account than interest on its registered bonds. If a clerk in any executive department, in searching the records, should find that a balance appeared to be due to any individual, and should notify the creditor, he would be discharged for so doing. The Senate proposes to change this practice in the case of the French spoliation claims, and has inserted in the Consular and Diplomatic Appropriation Bill an item of \$5,000 to enable the Secretary of State to search the records of the French prize courts during the years in which the spoliation and condemnations of American vessels occurred. The evidence thus obtained, if made public, as it should be in connection with the papers on file in the State Department, and before Congress, should enable the Court of Claims to administer justice to all claimants with the least possible delay.

## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from February No. page 633.)*

ARIZ...	Tucson.	First National Bank; succeeded by Bank of Tucson.
ARK...	Little Rock.	Exchange Bank; now Exchange National Bank.
CAL...	Auburn.	Andrews & Hollenbeck; succeeded by O. W. Hollenbeck.
COL...	Durango.	Bank of Durango, consolidated with First National Bank.
"	Longmont.	Stickney & Stickney; succeeded by F. H. Stickney.
"	Loveland.	Bank of Big Thompson; consolidated with B'k of Loveland.
DAK...	Grand Forks.	First National Bank; succeeded by Grand Forks Nat'l Bank.
GA.....	Fort Gaines.	W. O. Butler; now Wilson & Butler.
ILL....	Bloomington.	National Bank of Bloomington; now First National Bank.
"	Centralia.	First National Bank; now Old National Bank.
"	Galva.	First National Bank; succeeded by L. M. Yocum & Co.
"	Knoxville.	First National Bank; succeeded by Farmers' National Bank.
"	Walnut.	First National Bank; has gone into voluntary liquidation.
"	Wyoming.	First National Bank; succeeded by Scott & Wrigley.
IND....	La Porte.	La Porte Savings Bank; resumed business Feb. 9.
"	Muncie.	Muncie Nat'l Bank; succeeded by The Burson Banking Co.
"	Pierceton.	Lawrence, Spayde & Co.; assigned.
IOWA...	Cambridge.	Exchange Bank; closed.
"	Stuart.	Exch. B'k (E.H. & W. B. Conger); now A. H. Savage, prop.
KAN....	Clearwater.	Clearwater Bank (Wilson & Tillinghast); now J. F. Tillinghast, proprietor.
"	Newton.	Newton Bank; now Newton National Bank.
"	Sabetha.	Citizens' National Bank; went into voluntary liquidation.
MD....	Chestertown.	Kent National Bank; succeeded by Chestertown Nat'l Bank.
MASS...	Boston.	Peters & Parkinson; now Parkinson & Burr.
MICH...	Detroit.	Roberts, Austin & Co.; succeeded by Citizens' Savings Bk.
"	Ionia.	A. J. Webber & Son; merged into the First National Bank.
MINN...	Brown's Valley.	Brown's Valley B'k (Brook & Todd); now W. P. Todd, prop.
"	Lac-qui-parle.	Lac-qui-parle Bank; moved to Madison, Minn.
"	Montevideo.	Meldal & Eliason; succeeded by G. Eliason.
MO....	St. Genevieve.	Harris & Janis; assigned to F. W. Cox.
NEB....	Arapahoe.	Furnas Co. Bank; now First National Bank.
"	Arlington.	W. J. Crane; closed.
"	Bradshaw.	James A. Brown & Co.; succeeded by Dorsey Brothers.
N. Y....	Malone.	National Bank of Malone; now People's National Bank.
OHIO...	Belleville.	Exchange Bank; failed February 14.
"	Coshocton.	John G. Stewart; assigned, Jan. 31, to R. M. Voorhees.
"	Dresden.	L. J. Lemert & Sons; assigned to E. Little.
"	Hillsborough.	Hillsborough National Bank; now First National Bank.
"	Ripley.	Farmers' Bank; now Citizens' National Bank.
PENN...	Erie.	Humboldt Savings Bank; discontinued business.
"	Grove City.	Pine Grove Bank; succeeded by Grove City Banking Co.
R. I....	Pawtucket.	Slater Nat'l B'k of Prov.; now Slater Nat'l B'k of Pawtucket.
TENN...	Franklin.	Farmers' National Bank; went into voluntary liquidation.
UTAH...	Salt Lake City.	Walker Bros.; succeeded by Union National Bank.
WASH. T	Tacoma.	Tacoma Savings Bank; assigned Feb. 17.
WIS....	Darlington.	Judge, King & Co.; succeeded by Citizens' National Bank.
"	Ripon.	Ripon National Bank; consolidated with First National Bk.



## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from February No., page 634.)

No.	Name and Place.	President.	Cashier.	Capital.
3297	Newton National Bank..... Newton, KAN.	John Reese,	C. R. McLain,	\$65,000
3298	Texas National Bank..... San Antonio, TEX.	John S. Alexander,	.....	100,000
3299	First National Bank..... Buffalo, WYO.	John W. Collins,	Charles W. White,	50,000
3300	Exchange National Bank..... Little Rock, ARK.	W. P. Horman,	J. S. Pollock,	100,000
3301	Grand Forks National Bank..... Grand Forks, DAK.	M. L. McCormack,	Wm. O'Mulcahy,	50,000
3302	First National Bank..... Arapahoe, NEB.	John W. Tomblin,	D. M. Tomblin,	50,000
3303	Old National Bank..... Centralia, ILL.	Edwin S. Condit,	Ferdinand Kohl,	80,000
3304	First National Bank..... Westmoreland, KAN.	A. Richards,	A. B. Pomeroy,	50,000
3305	Chestertown National Bank.... Chestertown, MD.	Geo. B. Westcott,	Jos. Peterson,	50,000
3306	Union National Bank..... Salt Lake City, UTAH.	Jos. R. Walker,	Benj. G. Raybould,	200,000
3307	People's National Bank..... Malone, N. Y.	Howard E. King,	Hiram T. French,	150,000
3308	Citizens' National Bank..... Darlington, Wis.	James Judge,	Hugh J. Gallagher,	50,000

FORGERY DISCLOSED BY AN IMPRINT.—After the big woolen-house of Ferdinand & Benjamin, of New York, which failed for \$2,000,000, made an assignment on September 24th to Simon Danzig, James T. Swift & Co., of 59 Worth Street, brought suit to have the assignment set aside. Swift & Co. were heavy creditors, and, with the other creditors, suspected that the assignment was made with the design of defrauding those who had just claims on the \$1,800,000 nominal assets left by the firm. It was found that the firm had been a preferred creditor of Martin Clayburgh, of Chicago, for \$11,000, the amount of a promissory note, dated July 18, 1881. When the case came to trial some days ago before Judge Ingraham, in the Superior Court, both the Mayers swore that the note represented a *bona fide* debt for loans advanced by Clayburgh. James T. Swift insisted that the note was fraudulent, and called Arthur & Bonnell, the stationers who printed it, to prove the assertion. The margin of the note bore the stationers' imprint in tiny letters, with the address, 64 Nassau Street. They testified that on July 18, 1881, the date of the note, they did not occupy the premises on Nassau Street, and that the paper on which they printed the note could not possibly have been delivered by them to any order until after May, 1882, when they took possession of the office at 64 Nassau Street. This testimony created a genuine sensation in the court, and became the basis of the indictment for perjury that the grand jury found against the Mayers, and under which Judge Gildersleeve required them to furnish \$10,000 bail. "It was a striking circumstantial proof," Mr. Swift said afterward, alluding to the imprint on the note: "I have heard of only two cases of a similar nature. One was a historical instance in England, where a fraudulent deed that was designed to be introduced as a genuine ancient document was proven a forgery because of the phraseology, which set forth that it was executed during the reign of King George I. It was argued that the king could never have been mentioned during his reign by such a title. He did not become known in history as George I. till George II. ascended the throne."

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, FEBRUARY, 1885.

Opening, Highest, Lowest and Closing Prices of Stocks and Bonds in February.									
Governments.	Interest Periods.	Open- ing.	High- est.	Low- est.	Close- ing.	RAILROAD STOCKS.			
						Open- ing.	High- est.	Low- est.	Close- ing.
4½, 1891... reg.	Mar.	111½	111½	111½	111½	8½	9½	7	8½
4½, 1891... coup.	Jan.	112½	112½	112½	112½	3½	4½	3	3½
4½, 1907... reg.	Jan.	121½	121½	121½	121½	12½	14½	5½	6½
3½ option U. S. reg.	Feb.	125	125	125	125	—	30	11	13½
64, cur'cy, 1893 reg.	Jan.	127	127	127	127	—	—	—	—
64, cur'cy, 1897 reg.	Jan.	129	129	129	129	—	—	—	—
64, cur'cy, 1898 reg.	Jan.	131	131	131	131	—	—	—	—
64, cur'cy, 1899 reg.	July.	133	133	133	133	—	—	—	—
64, cur'cy, 1899 reg.	July.	134	134	134	134	—	—	—	—
						RAILROAD STOCKS.			
RAILROAD STOCKS.	Interest Periods.	Open- ing.	High- est.	Low- est.	Close- ing.	RAILROAD STOCKS.			
						Open- ing.	High- est.	Low- est.	Close- ing.
American Cable Co.	—	53	55	53	—	—	—	—	—
Bank & Mer. Tel. Co.	—	37½	40	37½	39½	—	—	—	—
Canadian Pacific.	—	27½	29½	27½	28½	—	—	—	—
Canada Southern.	—	37½	38½	37½	38½	—	—	—	—
Clev. Col. Gas & Ind.	—	90½	97½	86½	95½	—	—	—	—
Chicago & Northwest.	—	72½	73½	71½	71½	—	—	—	—
Do.	—	104	104	103½	103½	—	—	—	—
Chicago, St. P. & St. Paul.	—	16½	19	16½	17½	—	—	—	—
Chicago, St. Louis & Pitt.	—	16½	19	16½	17½	—	—	—	—
Chicago, St. P. M. & O. M.	—	25	29	25	26	—	—	—	—
Chicago, R. I. & Pac.	—	108½	114	108½	112½	—	—	—	—
Chicago, Bur. & Quincy.	—	118½	122½	118½	121½	—	—	—	—
Chicago & Alton.	—	124½	124½	124½	124½	—	—	—	—
Chesapeake & Ohio.	—	6½	6½	6½	6½	—	—	—	—
Do.	—	12½	12½	12½	12½	—	—	—	—
Do.	—	2	2	2	2	—	—	—	—
Central Pacific.	—	28½	36	27½	34½	—	—	—	—
Colorado Coal & Iron.	—	9½	12½	9½	12½	—	—	—	—
Delaware Lack. & West.	—	97½	104	88½	97½	—	—	—	—
Delaware & Hudson Canal.	—	71	82½	69½	78½	—	—	—	—
						RAILROAD STOCKS.			
RAILROAD STOCKS.	Interest Periods.	Open- ing.	High- est.	Low- est.	Close- ing.	RAILROAD STOCKS.			
						Open- ing.	High- est.	Low- est.	Close- ing.
Denver and Rio Grande.	—	8½	9½	7	8½	—	—	—	—
East Tenn., Va. & Ga.	—	3½	4½	3½	3½	—	—	—	—
Do.	—	12½	14½	11½	13½	—	—	—	—
Erie.	—	—	30	20	—	—	—	—	—
Do. pref.	—	—	—	—	—	—	—	—	—
Homestead Mining.	—	123½	126½	121½	125½	—	—	—	—
Houston & Texas.	—	—	—	—	—	—	—	—	—
Illinois Central.	—	—	—	—	—	—	—	—	—
Indiana, Bloom'n & Western.	—	—	—	—	—	—	—	—	—
Louisville & Nashville.	—	—	—	—	—	—	—	—	—
Louisville, N. Alb. & Chic.	—	—	—	—	—	—	—	—	—
Lake Shore.	—	—	—	—	—	—	—	—	—
Lake Erie & Western.	—	—	—	—	—	—	—	—	—
Long Island.	—	—	—	—	—	—	—	—	—
Michigan Central.	—	—	—	—	—	—	—	—	—
Mill. L. St. & West.	—	—	—	—	—	—	—	—	—
Morris & Essex.	—	—	—	—	—	—	—	—	—
Missouri Pacific.	—	—	—	—	—	—	—	—	—
Missouri, Kansas & Texas.	—	—	—	—	—	—	—	—	—
Manhattan Beach Co.	—	—	—	—	—	—	—	—	—
Manhattan Consol.	—	—	—	—	—	—	—	—	—
Manhattan Elevated.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
Metropolitan Elevated.	—	—	—	—	—	—	—	—	—
Memphis & Charleston.	—	—	—	—	—	—	—	—	—
Mobile & Ohio.	—	—	—	—	—	—	—	—	—
Minneapolis & St. L.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
N. Y. Chic. & St. Louis.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
N. Y. Central & Hudson.	—	—	—	—	—	—	—	—	—
New Jersey Central.	—	—	—	—	—	—	—	—	—
N. Y. Lack. & Western.	—	—	—	—	—	—	—	—	—
Norfolk & Western.	—	—	—	—	—	—	—	—	—
Northern Pacific.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
Nashville, Chat. & St. L.	—	—	—	—	—	—	—	—	—
N. Y. Ontario & Western.	—	—	—	—	—	—	—	—	—
Ohio & Mississippi.	—	—	—	—	—	—	—	—	—
Ohio Southern.	—	—	—	—	—	—	—	—	—
						MISCELLANEOUS.			
MISCELLANEOUS.	Interest Periods.	Open- ing.	High- est.	Low- est.	Close- ing.	MISCELLANEOUS.			
						Open- ing.	High- est.	Low- est.	Close- ing.
Oregon Navigation.	—	63	68½	61½	61½	—	—	—	—
Oregon & Trans-Continental.	—	12½	14½	13½	13½	—	—	—	—
Pacific Mail.	—	—	15½	15½	15½	—	—	—	—
Philadelphia & Reading.	—	54½	56½	54	54	—	—	—	—
Pullman Palace Car Co.	—	116½	118½	115	115	—	—	—	—
Peoria, Decatur & Evansville.	—	112½	115	110½	110½	—	—	—	—
Richmond & Danville.	—	—	15½	15½	15½	—	—	—	—
Richmond & West Point.	—	—	53	47	50½	—	—	—	—
Richmond & West Point.	—	—	53	47	50½	—	—	—	—
Rochester & Pittsburgh.	—	—	24	19	22	—	—	—	—
St. Louis, Alton and T. H.	—	20	24	19	22	—	—	—	—
Do.	—	—	25	21½	3½	—	—	—	—
St. Louis & San Fran.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
St. Paul, Minn. & Man.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
St. Paul, Minn. & Man.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
Texas & Pacific.	—	—	—	—	—	—	—	—	—
Western Pacific.	—	—	—	—	—	—	—	—	—
Western Pacific.	—	—	—	—	—	—	—	—	—
Wabash Pacific.	—	—	—	—	—	—	—	—	—
Do.	—	—	—	—	—	—	—	—	—
Miscellaneous.	—	—	—	—	—	—	—	—	—
Express-Adams.	—	—	—	—	—	—	—	—	—
American.	—	—	—	—	—	—	—	—	—
United States.	—	—	—	—	—	—	—	—	—
Wells-Fargo.	—	—	—	—	—	—	—	—	—
Ches. & Ohio series B.	—	—	—	—	—	—	—	—	—
Denver & Rio Grande 1st.	—	—	—	—	—	—	—	—	—
Lehigh & W. B. con. ass.	—	—	—	—	—	—	—	—	—
Metropolitan Elevated 1st.	—	—	—	—	—	—	—	—	—
Mo., K. & T. con. ass.	—	—	—	—	—	—	—	—	—
N. Y. Chic. & St. L. 1st.	—	—	—	—	—	—	—	—	—
N. Y. Elevated 1st.	—	—	—	—	—	—	—	—	—
N. Y. L. E. & W. 2d con.	—	—	—	—	—	—	—	—	—
N. Y. W. Shore & B. 1st.	—	—	—	—	—	—	—	—	—
Union Pacific 1st.	—	—	—	—	—	—	—	—	—
Union Pacific 2d.	—	—	—	—	—	—	—	—	—
Union Pacific 3d.	—	—	—	—	—	—	—	—	—
Union Pacific 4th.	—	—	—	—	—	—	—	—	—
Union Pacific 5th.	—	—	—	—	—	—	—	—	—
Union Pacific 6th.	—	—	—	—	—	—	—	—	—
Union Pacific 7th.	—	—	—	—	—	—	—	—	—
Union Pacific 8th.	—	—	—	—	—	—	—	—	—
Union Pacific 9th.	—	—	—	—	—	—	—	—	—
Union Pacific 10th.	—	—	—	—	—	—	—	—	—
Union Pacific 11th.	—	—	—	—	—	—	—	—	—
Union Pacific 12th.	—	—	—	—	—	—	—	—	—
Union Pacific 13th.	—	—	—	—	—	—	—	—	—
Union Pacific 14th.	—	—	—	—	—	—	—	—	—
Union Pacific 15th.	—	—	—	—	—	—	—	—	—
Union Pacific 16th.	—	—	—	—	—	—	—	—	—
Union Pacific 17th.	—	—	—	—	—	—	—	—	—
Union Pacific 18th.	—	—	—	—	—	—	—	—	—
Union Pacific 19th.	—	—	—	—	—	—	—	—	—
Union Pacific 20th.	—	—	—	—	—	—	—	—	—

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of February, 1885, has certainly not given us a leap year. Indeed it has dragged its slow length through frost, snow, and blockades, until spring has caught winter in its lap. For steady cold and wintry weather, this February has eclipsed all Februaries for many a year. Winter has gone out like a lion, and spring has not yet come in like a lamb. The result has been a general delay of spring trade throughout the country, while the snow blockade West brought business to a standstill early in the month, from which it has not yet been able to start. Legitimate business, of course, must suffer in such a state of affairs. But it is a fact that, outside of Wall Street, speculation has suffered more still. The reason is that speculation no longer controls business, but legitimate business does control speculation once more. The horse of commerce is before the cart again. Since 1880 the cart has been before the horse, and hence the country has been going backward, instead of forward, and at a terrific gait. This was equally as true on the up grade, from 1880 to 1882, as it has been on the down, to 1885. Now we have struck the natural level again, or have gone below it. In either case the basis is sound, and business in a healthy condition, though all the stimulus of speculation is gone, and hence the depression in legitimate business seems far more than it really is. This is due to the fact noted, that for four years speculation controlled all business. Men have come to look to the former as a criterion for the latter. This, however, is a good thing—indeed, the best that could happen for general business and those engaged in it. Those engaged in speculation are passing through the hardest times yet, especially brokers and commission houses in the produce markets. There never was a duller month than February for Chicago, and also in New York offices which deal with Chicago. Wall Street has been the only place where speculation has been at all active. That has been due to clique manipulative power alone.

Petroleum has been boomed also at the close, after two months of the dull-est markets on record. This, too, was owing to the fright of a large short interest that the Standard had gotten its grip on. Gould had his grip on the shorts in stocks he was interested in, and White on the shorts in the coal stocks. Both sold out on the boom, under cover of which the other cliqued stocks were sold also. Now the lack of the support of the manipulators, as well as of the shorts, is gone, and the stock market has been falling back, as there was no legitimate basis for an advance. The trunk-line railroad war has continued, though it has had no influence on the stock market, for the snow blockade made it impossible for them to do anything of account. It therefore made little difference what the railroad rates were. But the fact remains that the earnings of all but the coal roads have been almost nothing. Even the wheat roads, that showed good earnings for four months previous, were shut up in the north-west. Beside, the break in wheat and the imposition of a duty of 15½ cts. per bushel by France,

promises a continued light movement and decreased earnings. This has caused selling of the Granges, especially the St. Paul, about which there have been ill rumors of late that have scared out holders. The coal roads have caught the good this ill wind brought their brothers. The steady and severe cold was a perfect godsend to them. They sold freely at better prices, and worked down their accumulations of coal until stocks now are not burdensome, and mining is more actively carried on. This has been the lever by which the coal shares were lifted on the shorts, and those stocks have been the pivot of the market. The Gould stocks have been the weakest of all, as he has been a steady seller all the month, ending with a stroke of strategy by which he relieved himself of the extra burden he had accumulated on and after the Cisco failure in holding the market from a panic. The Vanderbilts have been pretty strong and active also, but have not seemed to lead the market. Vanderbilt has not been recognized as supporting them, nor as a member of any of the cliques who have been manipulating the advance. The balance of the list has moved in sympathy with the leading stocks, without more than occasional activity on some temporary cause. There is nothing to encourage buying, and nobody is buying anything in Wall Street except good bonds and a few of the dividend-paying stocks. But the offerings of those are so small that little is done, and prices are too high to tempt buying by good rates of interest. It is not for want of buyers, however, for real investments, but for want of sellers.

There has been little doing in foreign exchange, and only small shipments of gold have been received from Europe. Indeed it will happily disappoint the opponents of continued silver coinage if gold does not flow out of, instead of into, the country after the refusal of Congress by so large a majority to suspend future silver coinage for the present, and indeed for a year to come unless an extra session shall be called and the silver men be in a minority in the next Congress. Grave results are feared from this action, but the excess of exports over imports may save trouble. General trade has been embargoed by the snow and cold and stoppage in transportation, which accounts for the dullness and general weakness of merchandise markets, and those for manufactured goods alike. Hence the absence of any improvement in trade is not to be wondered at nor to be taken as a bad sign. It is a wonder that prices have not broken more with this interruption. With seasonable weather in March, therefore, prospects for trade in all branches are much better, and before this month is ended it will, no doubt, be recognized and admitted that the country is on the mend all around, confidence will return, growling will cease, the new administration will have come in without any convulsions of nature or financial revolutions, and everybody will be busy and contented and out of this long, deep slough of commercial despond.

Exports of wheat and provisions have been less, but the aggregate exports have been far in excess of imports.

The different commercial markets in detail have been influenced by the following causes in the following ways: "Wheat did it." The above has been the cause of several heavy failures in St. Louis the past week and month. The course of the wheat market has been almost a repetition of last year, only this break has been on a twenty cent per bushel lower basis nearly. When will it reach the bottom of this apparently everlasting down

grade is the conundrum in the grain markets. How low it can go no one now is bold enough to predict. When the bears in Chicago predicted 75c. wheat they were called hard names by the bulls. Yet it has gone to 73 in that market for March and 78 for May, with bets out that it will go to 70c. for May before it stops. Our visible supply keeps up and exports light beyond all expectations. Europe seems to be indifferent, and to have abundant supplies in store and on passage. It almost begins to look as though the statisticians have made another underestimate of the world's supply this year as they did last. On the other hand, it is claimed that the large operators have been banded together to ~~to~~ <sup>work</sup> the market and force the longs out in order to buy up the balance of the crop, which is said to be chiefly in sight, for much higher prices between now and the next crop. At all events the longs have been shaken out with a vengeance that has caused the failures in St. Louis, and more may follow if the decline is not averted. Everybody has been long and waiting for an advance; hence this break. Now the danger is that everybody will get short, and then wheat will go up. There will yet be a turn when it will be a sure thing to buy wheat. Some think it is already time and are buying. The shippers seem to be masters of the situation, however, at the moment. If they should come into our markets and continue to buy on any scale of magnitude wheat would go up no matter whether the speculators were long or short. But until they do, the real situation looks heavy, until the visible supply decreases materially or some weather scare causes alarm for the safety of the next crop. There have been some reports of damage in Kansas and Missouri, but they have not been sufficient to overcome the weight of the big visible. Corn has been a much more lively export and speculative article than wheat until the last week of the month, when the break in wheat made it lively in more ways than one. Low ocean freights have stimulated shipments, while the snow blockade West has delayed receipts, keeping stocks moderate throughout the country, and the cold, feeding weather has kept up demand to the maximum for home consumption. The big crop has not yet shown up in large stocks or visible supply. Oats have followed much the same course as corn, and the same remark regarding the disappearance of the largest crop ever raised holds as true as of corn.

Provisions have fooled the bears here and in Europe who looked for lower prices than ever, because we had the largest corn crop on record. The winter packing has been about 1,000,000 hogs more than last year, but the demand has been proportionately larger also, and stocks are now small for the season of the year. In the case of lard there are 60,000 tcs. less at Chicago, New York, and in six ports of Continental Europe, than a year ago. At 7c. per lb. Europe has consumed more, and the seaports are said to be short to the interior markets in France and Germany. The same is not so true of meats, as they are still shut out of many of the continental markets, but there has been a large demand from the Baltic and English markets this winter. Hence with one of the largest hog crops, and our meats shut out of what were once our largest export markets, we have less than an average stock on hand at the end of the packing season. Yet, with the prospect of a larger run of hogs next summer, there is no danger either of famine or of famine prices.

Cotton has been held steadily by the large dealers in New York, who be-

lieve in the minimum crop estimates, and who are carrying the bulk of the stock in the belief in higher prices before another crop. Yet, in the absence of active export or consumptive demand and of outside speculation, these carriers have attempted to get prices up by squeezing the shorts among the scalpers in the trade, who must swap jack-knives among themselves in the absence of any commissions from the public, even if they do get cut by the other fellow's blade shutting down on them. Consumption of cotton has not been increased, to say the least, by the advance that has been maintained on this crop, and it would be no surprise to see the decrease in consumption sufficient to make a long crop out of the short one. It is generally the case when a staple is bulled from the beginning of the crop year.

The tea market has held the advance of last month, and advanced still more on the continued hostilities between France and the Chinese tea-producing countries. Formosa teas have improved most, being most immediately affected, but the improvement has been quite general. Before the close, however, there were realizations which checked the upward tendency. Coffee has been sluggish on the doubts still existing as to the Rio crop. The deliveries here on contract have been quite free for the first of this month, but they were all cared for, as in cotton, the bulls in both staples being strong houses.

The iron market has dragged all the month and expectations have not been realized. But the transportation blockade due to heavy snow-falls all over the North are enough to account for the lack of demand which has caused some forced sales that have weakened prices until steel rails and iron have lost the improvement of December. Yet the outlook is better except for railroad iron supplies, which are likely to remain dull till the roads are doing more business at better rates and have gotten out from under the financial harrow. When these things occur, as they will sometime and simultaneously, since the one depends on the other, the demand will be augmented by the waste and wear and economy of the past three years. This process of repairs and renewals will begin this spring in our domestic wants and extend till the whole list of wants has been supplied. The country has worn its old clothes, used its old furniture and houses and equipage and implements of industry, commerce and manufacture, until they are worn out, and must be replaced so soon as the owners have money or credit to do it. The future of the iron trade is therefore bright, though it looks dark now, as it always does just before the day.

Petroleum, outside of stocks, has been the liveliest deal of the month. The Standard Oil Company were steady buyers of crude oil for two months at about 70c. until the tired longs sold out and Wall Street went short, when the screws were put to the bears until they climbed to cover their shorts and put the market to over 85 cents. Now the bears are turning bulls on the talk of \$1.00 and buying, while the Standard Company are accommodating them with 70-cent oil at the advance. Stocks are large, but consumption is now greater than production in this country, and statistics are regarded as bullish since Russian competition has not yet competed with American oil even in Europe, while the East Indian countries are using more each year.

The receipts of hay have been heavy and the market depressed except for the delay caused by the snow storms. But the market has been active and the outlet here is growing for export trade. There has been more activity

in tobacco as well as sugar with more steady markets, while dairy products are dull as usual at this season. Ocean freights have been very slow and rates were very low till the end of the month, when oil vessels did better.

The reports of the New York Clearing-house returns compare as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
Feb. 7...	\$ 294,647,400	\$ 105,398,200	\$ 38,191,600	\$ 354,418,700	\$ 11,078,100	\$ 54,985,125
" 14...	299,453,100	103,296,800	37,574,500	357,040,900	11,024,000	51,611,075
" 21...	298,231,500	101,616,000	36,139,600	352,171,000	10,977,300	49,712,850
" 28...	298,590,600	101,664,400	35,122,200	350,667,800	10,907,900	49,120,650

The Boston bank statement is as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Jan. 31.....	\$145,067,800	\$ 7,830,500	\$ 5,346,800	\$ 98,852,100	\$ 22,876,100
Feb. 7.....	146,086,200	7,345,600	4,571,000	97,489,100	22,968,400
" 14.....	144,786,500	7,138,100	4,088,600	95,431,100	22,810,600
" 21.....	142,840,000	7,679,000	4,276,300	94,889,800	22,871,600

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1885.	Loans.	Reserves.	Deposits.	Circulation.
Feb. 7.....	\$ 72,646,300	\$ 26,722,202	\$ 73,974,966	\$ 7,767,927
" 14.....	72,637,286	26,429,100	73,667,069	7,750,194
" 21.....	73,002,922	26,204,760	72,657,482	7,718,854
" 28.....	72,743,637	26,099,231	72,547,276	7,740,708

## DEATHS.

CLARKE.—On February 15, aged forty-seven years, FRANK CLARKE, of the firm Clarke, Bryan & Howell, Bryan, Tex.

COGGESHALL.—On February 21, aged eighty-three years, at Bloomfield, N. J., GILES H. COGGESHALL, Secretary of Bowery Savings Bank, N. Y. City.

DREXEL.—On February 15, aged sixty-one years, FRANCIS A. DREXEL, of the firm Drexel & Co., of Philadelphia, and of Drexel, Morgan & Co., New York.

EDDY.—On February 12, aged fifty-four years, E. B. EDDY, President of the First National Bank, Fargo, Dak.

GREEN.—On January 27, aged forty-two years, W. J. GREEN, of the firm Chas. Green & Son, Utica, N. Y.

HALL.—On February 8, aged fifty-six years, WASHINGTON A. HALL, President of the Oriental Bank, N. Y. City.

INGALLS.—On February 15, aged sixty years, F. W. INGALLS, formerly President of Kingston National Bank, Kingston, N. Y.

LAMBERTSON.—On January 25, aged thirty-two years, W. T. LAMBERTSON, President of the Glidden Bank, Glidden, Iowa.

MAYNARD.—On February 23, aged seventy years, ISAAC MAYNARD, President of the Utica City National Bank, Utica, N. Y.

MILLER.—On January 18, aged fifty-eight years, FREDERICK MILLER, of the firm Felsenthal Gross & Miller, Chicago, Ill.

OGLESBY.—On January 21, aged seventy years, WILLIAM B. OGLESBY, of the firm Oglesby & Barnitz, Middletown, Ohio.

PERKINS.—On February 7, aged seventy-one years, NATHANIEL B. PERKINS, formerly cashier of the Merchants' National Bank, Salem, Mass.

SCRIBNER.—On February 9, aged sixty-five years, FRANKLIN SCRIBNER, Treasurer of the Ashland Savings Bank, Ashland, N. H.

WATERS.—On February 14, aged sixty-seven years, ASA B. WATERS, Cashier of the Bank of Marietta, Marietta, Ohio.

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THE SILVER QUESTION.

Of those who understand the working of the silver coinage law, unquestionably by far the greater majority desire that it should be discontinued. But all who are thus opposed to the existing silver law are by no means certain that the day has come for permanently discarding the use of silver. If a way can be found for using the metal without doing injustice to any person or interest, we are confident that the mercantile community would gladly welcome the continued employment of silver. Does any way, therefore, exist for the use of silver which is honest and practicable?

Mr. I. W. Sylvester has recently written a long letter to the *New York Times*, in which he endeavors to show how the use of silver can be employed in the future. Two ways are proposed. Certificates might be issued against deposits of standard grains of silver, requiring the depositor in each instance to deposit silver enough to make his dollars equal in intrinsic value to a similar number of gold dollars. For these silver certificates he proposes two forms of redemption. First, that they be redeemed by returning to the holder the exact weight of the metal deposited, leaving on him the loss of its depreciation or the gain of its appreciation. Secondly, by returning to the holder not necessarily the amount deposited, but so much more or so much less bullion as at the time of redemption might be required to make the silver dollars equal in value to the same number of gold dollars, throwing on the Government the burden of loss, if loss were sustained, and giving to it the profit, if a profit resulted.

He then considers what would be the possible loss to the Gov-



ernment if the second form of redemption were adopted. First, he gives the following table, showing the highest, lowest and average price of silver per ounce troy since 1833, quoted in pence in London, the average price expressed in United States gold coins:

STATEMENT SHOWING THE HIGHEST, LOWEST, AND AVERAGE PRICES OF SILVER IN LONDON FOR A SERIES OF YEARS, AND THE EQUIVALENT IN UNITED STATES GOLD COIN OF THE AVERAGE PRICE.

Year.	Lowest Quotation.	Highest Quotation.	Average Quotation.	Equivalent of Average Quotation.	No. of Standard Grains Required to Constitute a Dollar.
	<i>d.</i>	<i>d.</i>	<i>d.</i>		
1833....	58¾	59¾	59 3-16	\$ 1.29.7	311.20
1834....	59¾	60¾	59 15-16	1.31.3	406.19
1835....	59¾	60	59 11-16	1.30.8	407.74
1836....	59¾	60¾	60	1.31.5	405.57
1837....	59	60¾	59 9-16	1.30.5	408.68
1838....	59½	60¾	59½	1.30.4	408.99
1839....	60	60¾	60¾	1.32.3	303.12
1840....	60¾	60¾	60¾	1.32.3	403.12
1841....	59¾	60¾	60 1-16	1.31.6	405.26
1842....	59¾	60	59 7-16	1.30.3	409.30
1843....	59	59¾	59 3-16	1.29.7	411.20
1844....	59¾	59¾	59½	1.30.4	408.99
1845....	58¾	59¾	59¾	1.29.8	410.88
1846....	59	60¾	59 5-16	1.30	410.253
1847....	58¾	60¾	59 11-16	1.30.8	407.74
1848....	58½	60	59½	1.30.4	408.99
1849....	59½	60½	59¾	1.30.9	407.43
1850....	59½	61½	60 1-16	1.31.6	405.26
1851....	60	61½	61	1.33.7	398.90
1852....	59¾	61¾	60½	1.32.6	402.20
1853....	60¾	61¾	60½	1.34.8	395.04
1854....	60¾	61¾	60½	1.34.8	395.04
1855....	60	61¾	61 5-16	1.34.4	396.82
1856....	60½	62¾	61 5-16	1.34.4	396.82
1857....	61	62¾	61¾	1.35.3	394.18
1858....	60¾	61¾	61 5-16	1.34.4	396.82
1859....	61¾	62¾	62 1-16	1.36	392.153
1860....	61¾	62¾	61 11-16	1.35.2	394.47
1861....	61¾	61¾	60 13-16	1.33.3	400.09
1862....	61	62½	61 7-16	1.34.6	396.23
1863....	61	61¾	61¾	1.34.5	396.54
1864....	60¾	62½	61¾	1.34.5	396.54
1865....	60½	61¾	61 1-16	1.33.8	398.57
1866....	60¾	62¾	61¾	1.33.9	398.30
1867....	60¾	61¾	60 9-16	1.32.8	401.60
1868....	60¾	61¾	60½	1.32.6	402.20
1869....	60	61	60 7-16	1.32.5	402.51
1870....	60¾	60¾	60 9-16	1.32.8	401.60
1871....	60 3-16	61	60½	1.32.6	402.20
1872....	59¾	61¾	60 5-16	1.32.2	403.42
1873....	57¾	59 15-16	59¾	1.29.8	410.88
1874....	57¾	59½	58 5-16	1.27.8	417.31
1875....	55½	57¾	56¾	1.24.6	428.03
1876....	46¾	58½	52¾	1.15.6	461.35
1877....	53¾	58½	54 13-16	1.20.1	444.07
1878....	49½	55¾	52 9-16	1.15.2	462.96
1879....	48¾	53¾	51½	1.12.3	474.91
1880....	51¾	52¾	52¾	1.14.5	405.79
1881....	50¾	52¾	51 15-16	1.13.8	468.65
1882....	50¾	52¾	51 13-16	1.13.6	469.47
1883....	50 3-16	51 3-16	51¾	1.11.8	477.03
1884....	49½	51¾	50¾	1.11.3	479.18

This plan was proposed by Mr. George M. Weston, in our columns, several months ago, as one of the practicable modes of continuing the employment of silver. Mr. Sylvester, however, has carried out more fully the possible consequences arising from the adoption of such a plan by the Government. He clearly shows that the loss would not be large, and could be easily borne.

The New York *Daily Commercial Bulletin* objects to the plan, on the ground that it provides only for a new and unlimited issue of paper money. This objection, it seems to us, is groundless. The certificates would represent metal just as do the existing gold and silver certificates. There is no danger of an unlimited issue of them, unless the supply of silver should become unlimited. They would possess a real value like every other commodity that is desired, and cannot be had without effort.

The *Bulletin* also objects to the plan on the ground that we have money enough. Wheat, says the *Bulletin*, is cheap, too cheap for the farmer. Iron is cheap, and so is cotton, but money is the cheapest thing yet discovered. We have more of it than we can use, which we admit is true, but no one believes that the present state of depression is always to continue. By and by business will start, and the money now lying idle will suddenly become active. We must consider the future as well as the present, and, regarding this, the present policy is not safe to pursue. While it is perfectly clear on the one hand that the present coinage of silver is harmful in many ways, it is equally clear that the present contraction of the currency, if continued indefinitely, would also work harm. The low rates for money are conclusive proof of its abundance at the present time, but if a way can be found for safely enlarging the volume of currency and retaining the use of silver, it should be adopted. So long as the currency consists of gold and silver, whose legal value shall harmonize with the market value, there is no danger of getting too much of it, or of the paper based thereon. The wider the metallic basis is for our paper money superstructure, the more securely it will stand.

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## THE SUFFOLK SYSTEM.

The wisdom and foresight which led to the final establishment of the Suffolk system for redemption of State bank bills has been long since recognized. The first quarter of this century presented to the man of business many complications and inconveniences, not the least of which was the necessity of using an uncertain or depreciated currency in all, or nearly all, business transactions. Not the simplest of business operations, that of the exchange of merchandise for current money, could be effected without great risk and hindrance. On the receipt of bills in any amount, in the ordinary course of business, it became necessary, first of all, to separate those issued by banks in one's own from those of other States; and then again, with great care, to throw out all bills of failed banks, which operation was generally effected by reference to some bank note reporter, used for the purpose. Banks of issue had been established from time to time, all through the States, some for the *bona-fide* purpose of general banking, others simply for the profits arising from the issue of notes. From the latter class, mainly, came the irregularities and failures, which, through a series of years, did not fail to embarrass the business world. It was hardly safe to accept the bills of a bank outside of one's own city or town without referring to the latest and most authentic list of "broken" banks. But the trouble did not end here. Owing to the difficulties and delays attending the presentation of these "foreign" notes (as the notes issued by distant banks were called) at the banks of issue for redemption in coin, there had come to exist a certain discount, in amount varying, naturally, with the remoteness of the issuing bank. This condition of things soon led to the establishing of a system of brokerage among a class of speculators, who were thus enabled to do a lucrative business at the expense of the general public. It can readily be seen that such a situation, while it could hardly be avoided under the then existing State system of banking, must, sooner or later, have led to a very serious derangement of all commercial relations, as well as private interests and credit. Happily the situation suggested a formal and systematic remedy. That remedy was the famed Suffolk system, which, through a period of forty years, operated as a great blessing to every legitimate business or worthy institution in the country.

On the 27th day of February, 1818, the day of the organization of the Suffolk as a State bank, there were in operation in Boston six similar institutions, namely, the Massachusetts, Union, Boston,

State, New England, and Manufacturers and Mechanics', afterwards known as the Tremont, all doing a profitable business.

Under its chartered rights the Suffolk received no advantage not enjoyed equally by other banks. However, it was favored by its selection of a board of direction of unequaled strength, enterprise and sagacity. In the list of these early directors may be found such names as John A. Lowell, William Lawrence, Thomas Motley, and Samuel Hubbard, names such as in our day would be of themselves a guaranty of success to any institution.

The Suffolk Bank received its charter in February, 1818, to run till October, 1831, as a State institution. Its directors, enterprising and energetic, foresaw that to the profits of its regular business might be added those arising from dealing in foreign exchange, and also by the purchase of country bank notes. The matter was duly considered, and finally adopted as a part of the regular business. Both the branches were conducted with profit, the former till 1826, when it was given up, the latter till the establishing of the redemption system, properly so called in 1824.

The condition of things in Boston for the few years succeeding the organization of the Suffolk Bank was such as to excite sharp comment, not to say alarm. One-half the entire banking capital of New England was centered in this city, and yet it is estimated that not more than one-twenty-fifth of the bank-note circulation emanated from Boston banks. It was quite evident that, inasmuch as it appeared that a large percentage of the note circulation came from banks in outlying districts not easily accessible, and where banking facilities were in little demand, that these banks relied very largely for profits upon the discount on their own bills, which they contrived to circulate in the cities, and afterwards to buy through their own agents at a heavy discount. The means by which it was contrived to circulate these notes in the first place were very simple and easily understood. These banks, not finding satisfactory investments for their money in their own neighborhood, sent to the cities where commercial paper was to be had, and in competition with the city banks secured satisfactory investments, for which they paid by a remittance of their own bills. Of course this was an invasion of the rightful province of the banks of the city, inasmuch as their own opportunities for making satisfactory loans were curtailed to a like extent. The evil became a crying one, and a loud demand went forth for some restrictions.

Previous to this time the New England Bank of Boston had been in the habit of buying and receiving from country correspondents on deposit, "foreign" bills at varying rates of discount, and sending them home for redemption in coin. This discount, as a rule, was not small, and consequently a very lucrative business followed. Upon the inauguration by the Suffolk of a similar line of

business in 1818, a sharp competition with the New England at once set in. The result was, of course, beneficial to the community, inasmuch as the previous rates of discount of one per cent., or more, were reduced to one-half of one per cent. and less.

The system pursued by the Suffolk in the redemption of bills was favorable to its customers. All banks keeping accounts with it were permitted to redeem their own bills at the same rate of discount at which they were purchased; and also all banks making a permanent deposit of \$5,000 with the Suffolk were permitted to enjoy the same privilege. All this was very favorable to such country banks as were in sympathy with the Suffolk, but very annoying and disastrous to those which had been thriving at the expense of the others. The results of this infant system of redemption were very soon manifest in the disappearance to some extent of country notes, and the general improved condition of the circulation.

Those banks not directly benefited by the action of the Suffolk, or which failed to co-operate, not only did not fail to remonstrate, and that unceasingly, against this supposed invasion of their privileges, but many of them used every lawful means to interrupt and evade the practical working of the system. And many amusing instances are on record of the skill and assiduity with which the opposing parties in the conflict attempted to outwit each the other in the enforcement or in the evasion of the system. But the practical benefits arising from the course pursued, while not wholly effectual in obliterating the difficulties, were too many and too apparent to admit of any effectual permanent opposition.

While the means employed to improve the condition of the bank-note circulation gave satisfaction in so far as they were operative, the profits accruing were too small, the risk too great, and the difficulties too embarrassing for a single, unaided institution. The officers of the Suffolk were alive to the situation. They did not propose to give up vantage ground already gained, provided they could draw to their support and, in a way, to their protection, the associated banks of the city. They saw and, in a carefully written circular, fully demonstrated the perils of the situation. The idea of a central system of redemption was entirely feasible. The directors of the Suffolk, in consultation with representatives of the other banks, decided to make a trial of the system on an extended scale. All the banks interested ratified the recommendations of this committee, and on the 24th of May, 1824 the Suffolk assumed its duties as the agent of the banks. The only condition imposed upon the Suffolk by the associated banks was that it should receive, at no greater discount than that taken by the New England or other banks, all their foreign money; and they, in turn, were expected to give the Suffolk their undivided support and co-operation. From this

time the foreign money department was separated from the bank proper, and had its own officers and clerks. William Grubb, Jr., was the first chief of this department.

The opposition on the part of those county banks to which this system was, and always had been, disadvantageous, was none the less severe now that it had taken a more definite and imposing form. Many warm words, sarcastic epithets, and biting innuendos were freely retailed, but without avail. The system was bound to succeed.

About a year after the final establishment of the system, a new agreement was entered into with the associated banks, by which the Suffolk was to receive on deposit *at par*, all foreign bills taken over the counters of the respective banks, the same to be placed to the credit of said banks. Also, to such a degree had prosperity attended the working of this department, it was provided that *any bank in New England* that would agree to place a permanent deposit of \$2,000, or more (the amount to be regulated by the capital of the bank) with the Suffolk, might have its own bills redeemed at par, the same to be charged to the bank's account once a week, or after the accumulation of a certain specified sum, provided that, in addition to the permanent deposit, a sum sufficient to redeem the bills when charged be kept in the bank. In case such surplus, over and above the permanent deposit, was not at any time sufficient to redeem its bills, interest was to be charged the bank on the deficit; and in case the permanent deposit should at any time prove insufficient to redeem its bills, the Suffolk was allowed to send the bills to the bank for redemption in coin. After the bills in process of redemption had been charged to their respective banks, they were held at the risk and subject to the call of the issuing bank. The Suffolk was reimbursed for notes thus delivered by check on a Boston bank or by a deposit of bills.

So rapidly did the business develop, and the accumulation of bills become so great, that in a short time it became necessary to charge them to the issuing banks daily.

It has been already remarked that the redemption department was under the charge of a superintendent who employed necessary assistants. The risk of receiving, handling and disbursing large sums of money, including the necessary vigilance in the detection of counterfeit and worthless bills, was by no means small. Dishonest clerks were occasionally found out and punished, but there was a considerable, and yet unavoidable, annual loss to the institution through the receipt of worthless bills. To reduce these losses to the minimum, and to aid in securing the best possible service as regards efficiency and honesty, the superintendent was allowed a specified sum annually with which to defray all expenses of the

department, including losses and his own salary. After the second year the sum was fixed at \$4,250 per annum. It was increased from year to year with the growth of the business, until in July, 1857, \$40,000 was voted, which was the largest appropriation ever made for this department.

Before closing this brief resume of the history and operation of the Suffolk system, a few facts relative to its development, taken, for the most part, from President D. R. Whitney's admirable history of the institution, may be acceptable.

From 1831-33 ninety new banks were chartered in New England, forty-five of this number being in Massachusetts. In 1835-36 thirty-two institutions were established in Massachusetts, being seventy-seven in six years, and a proportionate number were formed throughout New England.

In 1830 the total number of banks in New England was 169; in 1837, 321; in 1852, 361, and in 1857, 504.

In 1834 the business of redemption of foreign money had increased since the commencement five-fold, or from \$80,000 to \$400,000 daily. In 1850 the daily redemption amounted to \$750,000, and the business being lucrative the bank paid ten per cent. dividends. In 1857 the total redemption for *New England alone* was \$400,000,000, which is about twice the total redemption of the National Bureau at Washington for the year 1876-77, an indication of the amount of detail work undertaken and creditably performed by the Suffolk institution. The cost in salaries paid for redemption of the above amounts was ten cents and seventy cents respectively per \$1,000. In other words, the cost of redemption of bank bills was seven times as much for the United States Treasury as for the Suffolk bank during the years named.

The Suffolk bank suffered many losses at one time and another by dishonest clerks and robberies, but they were all insignificant when compared with the loss in 1852 by the receiving teller who made way with \$214,518.13 of the bank's funds. His disappearance was the first indication of any irregularity. An examination of his accounts and those of the bookkeeper revealed the true condition of things. Only about \$9,000 was ever recovered. The causes which led to the dishonesty are not yet obsolete quantities in our more modern business world—fast living and speculation.

The Suffolk continued to do a prosperous and increasing business without any material interruption till 1858, when a rival institution known as the Bank of Mutual Redemption came into being in Boston. Both institutions occupied the field for two years or more, doing business by dint of mutual agreement and concessions, for the most part harmoniously, when the directors of the Suffolk decided it expedient, for good and sufficient reasons,

to give up the business of redemption in favor of the other institution.

Thus terminated the career of an organization, beneficent in its day and generation, and which has left an unmistakable impress on one of our more modern institutions, the pride of our people, the National Bureau of Redemption.

WILLIAM WOODWARD.

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### MONETARY PANICS.

The objection most commonly made to an absolutely fixed, or non-elastic, amount of paper money, is the fact that there occasionally occur in commercial countries periods of severe crises and panic, when the volume of currency practically diminishes from the action of frightened hoarders, and when the only sufficiently prompt remedy is a temporary addition to the paper issues, not so large as to inflate the volume of money, but large enough to counteract the sudden contraction of it from the effect of the disappearance from use of considerable portions of it.

Peel's Bank Act of 1844 was the first establishment anywhere of the principle of a fixed issue. The devisers and advocates of that Act, of whom the late Lord Overstone was the most controlling and conspicuous leader, admitted that there would be periods of alarm when the best thing to be done would be to overstep the fixed limit, but they refused to make any legal provision for exceptional cases. Their view was, that to provide in advance for overstepping it would be an invitation and encouragement to overstepping it, and that the Ministry, for the time being, should be left to deal with emergencies on its official responsibility to Parliament and the nation. Under the British Constitution, which is unwritten, and consists partly of laws and partly of precedents, the Ministry has the power to suspend laws, and take the risk of having its action in so doing subsequently validated or condemned by Parliament. Under this power the restriction of the Act of 1844 upon the issues of the bank has been three times suspended during the past forty years.

When the present German Empire adopted the British principle of a fixed issue of paper money, it adopted a different provision for increasing the amount of it in periods of emergency. It authorized the Imperial Bank to pass the limit whenever and so long as it would pay to the Government a tax at the rate of ten per cent. per annum upon all issues in excess of the limit. The bank would, of course, not subject itself to such a tax, except when its customers are so pressed as to be ready to bid for loans a higher rate of inter-



est than ten per cent.; but there have actually occurred periods during the last ten years when this has happened. Such periods have been very short, however, and the limit of the authorized issues has never been much exceeded. But the power to deal in that way with emergencies always exists in the Bank.

In a letter addressed to this Magazine (October No., 1884) by Sir Francis Hincks, of Canada, he made the suggestion that the Issue Department of the Bank of England might be allowed to loan to the Banking Department, on the security of consols, at six per cent. interest, not exceeding £10,000,000 of the gold deposited for bank notes, which the law now requires to be kept unused, pound for pound, for the redemption of such notes. This would be, in substance, the adoption by England of the German principle of making any extraordinary increase of paper money depend upon an extreme rise in the rate of interest. The suggestion as made by Sir Francis Hincks had reference to the use of gold deposited for a proposed issue of £1 notes, but if it is a sound suggestion in itself, it might just as well be applied to the gold which is now deposited for the issue of notes of £5 and upwards.

An equivalent suggestion as to this country is the proposition endorsed by several American bankers, that the Treasury Department should be at all times authorized and directed to loan to banks or individuals United States Treasury notes in excess of the limit fixed by the Act of May 1878, the excess not to exceed (say) \$100,000,000, the rate of interest to be so high as to ensure the early repayment of the loans, and the security to be always the deposit of Government bonds with an ample margin. This would secure the certainty that money could be obtained on such bonds at any time at the prescribed rate of interest, and would be, in principle and effect, the adoption of the German system, and of the new rule which Sir Francis Hincks proposes for the administration of the Bank of England.

We need not reiterate the objections which we have urged so often against any scheme of an elastic paper money, responsive to what are called "the wants of trade," such as we had in the United States before the civil war, but which has now been abandoned here, and in every European country in which it ever existed. But we are ready to co-operate in any plan upon which the banking intelligence of the country can agree, to provide for the temporary increase of paper money in periods of commercial alarm and emergency.

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## FOREIGN LANDHOLDERS.

The table herewith presented shows that over twenty million acres are owned by less than thirty foreign landholders :

An English Syndicate, No. 3, in Texas.....	3,000,000
The Holland Land Company, New Mexico.....	4,500,000
Sir Edward Reid, and a Syndicate in Florida.....	2,000,000
English Syndicate in Mississippi.....	1,800,000
Marquis of Tweeddale.....	1,750,000
Phillips, Marshall & Co., London.....	1,300,000
German Syndicate.....	1,100,000
Anglo-American Syndicate, London.....	750,000
Bryan H. Evans, of London.....	700,000
Duke of Sutherland.....	425,000
British Land Company in Kansas.....	320,000
Wm. Whalley, M. P., Peterboro, England.....	310,000
Missouri Land Company, Edinburgh, Scotland.....	300,000
Robert Tennant, of London.....	230,000
Dundee Land Company, Scotland.....	247,000
Lord Dunmore.....	120,000
Benjamin Neugas, Liverpool.....	100,000
Lord Houghton, in Florida.....	60,000
Lord Dunraven, in Colorado.....	60,000
English Land Company, in Florida.....	50,000
English Land Company, in Arkansas.....	50,000
Albert Peel, M. P., Leicestershire, England.....	10,000
Sir J. L. Kay, Yorkshire, England.....	5,000
Alexander Grant, of London, in Kansas.....	35,000
English Syndicate, Wisconsin.....	110,000
M. Ellerhauser, of Halifax, in West Virginia.....	600,000
A Scotch Syndicate, in Florida.....	500,000
A. Boysen, Danish Consul, in Milwaukee.....	50,000
Missouri Land Company of Edinburgh.....	105,000
Total.....	20,647,000

Congress cannot move too soon to restrain the acquisition of lands by non-resident foreigners. A bill was introduced into the lower House a few months ago to prevent their acquisition by such persons, and it is to be regretted that Congress did not pass it. Our land should be owned by our own citizens. This we believe to be the general sentiment of the American people, yet they have permitted foreigners to come and buy without objection. It would seem, however, that Congress has really awakened to the gravity of the situation and is determined to do something. It is said that these foreigners own or control one-sixth of the cattle that graze on the western ranges. They have bought the land as a speculation, or else for the purpose of establishing a tenant system which is contrary to the spirit of our institutions. From the beginning the land in this country has been owned by the occupier, and it is to be sincerely hoped that he will always own it. We have no objection to seeing respectable foreigners here, but we can very well afford to dispense with the English land system. The sufferings of the English tenant-farmers are so well known that we cannot begin

too early to root out any movement which may lead to the establishing of such a system. From time to time large grants of land have been made to railroad companies in aid of railway construction, but with the expectation that it would be speedily divided and sold to others, and this has always been done. The railroad companies having land grants have advertised and sold them as rapidly as possible in small quantities. We do not recall the names of any companies that have retained considerable portions of their lands. Several of the Western States, Illinois, Michigan, Iowa, Wisconsin, gave land grants to railroads, but we believe that long ago these lands were sold to settlers. In that way a population was attracted to their roads for their support and increase. The case, however, is very different with these great foreign landholders. They have bought for either one of two purposes: either to hold and sell again at a much higher price, or else retain permanently and lease. If the former be their object, the Government can well afford to hold the lands instead of these foreigners, for it is not in need of any spare funds with which to pay its bills. The sooner a law is enacted to prevent the purchase of large quantities for either speculative purposes or for introducing the tenant system the better for our country, and for that large class who are constantly going westward to occupy the soil. In a few years every acre of unoccupied land will be needed. The Government need not wait long, therefore, to find customers who will make better use of the land than these non-resident foreigners.

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### RELATION OF THE RAILROADS TO THE PEOPLE.

Mr. Marshall M. Kirkman, of Chicago, has written an interesting and valuable pamphlet on the Relation of Railroads to the People and the Commercial and Financial Interests of the Country. His writings always merit consideration, because they are the product of a knowledge derived from an extensive railroad experience, and a thorough study of the opinions and investigations of others. We propose to glance briefly at his latest contribution on this subject.

He says that it is the first great duty of a Government in regard to railroads to attend to their wise location and economical construction. In the United States no restriction whatever has been put on enterprises of this character. He affirms that a similar state of affairs will not be found elsewhere under any enlightened Government. Abroad no railroads can be built until the location has been approved by the Government, and which is fixed only after elaborate hearing of all parties and interests to be affected by it. He further adds that the first lines constructed in the United States were

in the main wisely located to meet the actual and prospective needs. A reference to-day to their location shows that their projectors anticipated every legitimate and proper want of the country they traversed.

Perhaps we do not understand Mr. Kirkman on this point, but our own view is, that, in the Eastern States particularly, railroads in the beginning were not chartered until after a hearing before a committee of the Legislature. The Legislature then granted a charter, usually, if the committee reported favorably. The same process was adopted whenever a charter was amended. Furthermore, those who wished to engage in an enterprise of this character were obliged to give notice for a stated period before the meeting of Legislature that they intended to apply for a charter, and in their notice to stipulate the particular route which they proposed to use. It was soon found, however, that this method of obtaining charters and amending them occasioned serious difficulties. Sometimes to get them it was necessary to bribe members of the Legislature. What happened more frequently, however, after a certain period, was, the lines already established sought to prevent the construction of others by influencing the Legislature to act adversely on such applications. Every year stories were started concerning the manipulation of Legislatures for the benefit or against the interests of certain railroad enterprises. In order to purify the Legislature, the expedient was devised of enacting general laws whereby persons by conforming to them could construct railroads anywhere. This was thought to be a final solution of the railroad question so far as their construction was concerned. This indeed was the first remedy proposed in Great Britain for the excessive rates of transportation. When only a few railroads existed, high rates for carrying freight and passengers were charged, and Parliament concluded that the right remedy was to enact a general railroad law whereby persons could build and regulate the rates for themselves. It was argued that "an enlightened view of their own interests would always compel managers of railroads to have due regard to the general advantage of the public."

Sir Robert Peel and his associates found that this doctrine of enlightened self-interest, which has played such an important part in their political economy, would not work in regulating rates for transporting freight and passengers. We have just found out the same thing for ourselves. When the legislatures passed general railroad laws, they did succeed in removing a standing cause of corruption, but unintentionally gave birth to a new set of troubles of a very serious nature.

What has happened since the enactment of these general railroad laws in this country? Lines have been multiplied for which there was no use whatever. Why, then, were they established? Because

the projectors believed they could sell them to the lines already established, and make a handsome thing by the operation. In other words, the lines were not built to serve the shippers, but to fill the pockets of the builders. This result no legislator had in mind when enacting laws for the creation of railroads.

As Mr. Kirkman clearly shows, one feature of the railroad problem is utterly misunderstood, namely, that to have low rates it is necessary for the companies to transact the largest amount of business possible. The same rule applies as in the case of merchandising. If a merchant has an enormous business, he can afford to sell his goods at a low rate, and yet make a handsome income; but unless his business be large, such a policy will work unavoidable ruin. The shipper is interested in getting low rates, therefore what he should seek to do is not to encourage rival lines of transportation, but to increase the business of the lines already established, rendering it possible for the transporter to reduce his rates. If, in the event of acquiring an enormous business, the transporter should not reduce his rates, but unduly swelled his dividends, the Legislature might very properly prescribe a remedy, and either fix lower rates or compel the company to reduce them.

There is another side to this matter. The shipper thinks usually only of himself. The persons who own stock in railroad companies constitute another and very large body. For aught we know, the capital of these stockholders is worth just as much to society as the capital of the shippers. The general worth of these stockholders is just as deserving of consideration as that of the other class. Now, if railroads are built which do not pay, but, on the other hand, are run at a loss, that loss is surely felt sooner or later by a very large number of people. One of the causes of our present depression is the unwise investment of money in unprofitable enterprises. These do not pay, and the investors, therefore, have no income therefrom, which they can use in other business, or for the development of new enterprises. They are losers by such undertakings. If the shippers can succeed in driving rates down to a very low point, themselves gaining by the reduction, they do not see, or care to see, that another class very likely are sufferers, or losers, by the operation. But, as already said, the stockholders in railroads are of just as much consequence to the community as the shippers. In considering this subject we should think alike of the interests of both classes. A loss in the construction or operation of a railroad, either to its stockholders or patrons, extends through the community, and all suffer sooner or later thereby. The true policy is to so construct and manage these great enterprises that no loss shall accrue to any one.

Mr. Kirkman says that "the average rate must always be equal to the income required, otherwise there is ever present in the com-

munity a depressing influence of semi-bankrupt properties, devoid of responsibility and lacking in the conservativeness essential to the proper conduct of every species of business. In just so far as a carrier's business is restricted below a paying limit, the rate will be increased. Wherever railroads are encouraged in advance of the wants of the country, as in the United States, the community must suffer, and disasters resulting therefrom until such a time as the natural growth of population and wealth corrects the mistake.

"But while a Government cannot afterwards arrest the evils that exist from too many railroads, it may, by preventing the construction of further unnecessary roads or unwise extension of old lines, stop the evil, and, in doing so, avoid the permanent impoverishment of its people. The people do not realize that in permitting the construction of two lines where one can do all the business, they have two mouths to feed instead of one. They double their outlay without increase of their income."

Elsewhere he says that "it is demonstrable that the people of the United States have utterly and fatally misunderstood the question of railway transportation from the standpoint of low rates. They have sought it in the multiplication of roads without reference to their necessities, and in the encouragement of every species of competition between carriers. The further they traverse this course, the more mischievous and lasting the results to them. Competition between railroads for common business can never benefit the country while it saps the resources of the carrier and disturbs the equilibrium of trade. It may, indeed, seemingly benefit some isolated community, some fragmentary district, but the result to the people, as a whole, is deplorable, and the temporary advantage that a few sections derive from this species of competition and warfare between rival lines, will be offset tenfold by general disturbances of values that attend each element of uncertainty that it introduces."

These are wise and timely words. To make low rates, a large amount of business is necessary. The income must be large in proportion to the capital invested. To divide and redivide the business is only to postpone the low rates which the shipper so much desires. Had the opposite policy been pursued of building fewer roads, doubtless rates would have been far lower than they are; less capital would have been sunk, and the entire country would have been in a more prosperous condition. There are enterprises, it is true, in which a certain amount of capital may be temporarily sunk with a view of ultimate gain, but the amount which can thus be employed safely is never large at any period. We are constantly over-doing this thing, sinking at times a very much larger amount than the country can afford, and for doing which it pays dearly. The shipper should come to understand that a loss to the stockholders ultimately reflects on himself, and consequently that he is the

poorer thereby. The true policy for him to pursue is to do that which will increase the business of the carrier, and enable him to carry at lower rates and yet make a profit. Such a policy is safe and wise for both classes.

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## ADVICE TO BANK CLERKS.

FROM AN OLD CASHIER.

Many employees of incorporated banks are permeated with the idea that they are a little higher in the mercantile scale than their friends at work on dry-goods or groceries. In consequence of this a supercilious and disagreeable air is often noticed, and a bank clerk is frequently uncivil and impolite to customers; hence, a few words of advice will not, perhaps, be deemed inappropriate. Let it not be understood that this is a universal charge. On the contrary, there are many exceptions.

A clerk in a bank is not such a superior being *per se* that he is justified in being conceited; in fact, to be an average clerk, *and nothing more*, requires a fair amount of intelligence only, and this exaggerated estimation of himself has no other foundation upon which to rest than a foolish custom whose only claim to recognition is its antiquity. In this connection, too, I may say that the more ordinary the man, the higher he stands in his own opinion and the lower in that of others.

By way of excuse for little acts of impoliteness it is often said that a bank clerk's patience is particularly tried by the mistakes and ignorance of customers. Admitting it as true, we must not forget that men in other callings have similar trials, and that, too, for more hours a day, while politeness is the rule, rudeness the exception. In every other business civility prevails, if for no other reason because it is the best policy. Men are obliged to conceal their prejudices and overlook the short-comings of others in order to succeed, and their clerks are obliged to do likewise for the same reason. But behind a bank counter, words and acts are allowed continually which would not be tolerated in general business by customers or employers. Banking is only one form of business and there is no reason why it should differ in this respect from any other. Custom has, however, established a different rule, and habit makes a man blind to the fact that he is impolite. Many a clerk would indignantly deny the charge, which, to an unprejudiced mind is only too true.

I would earnestly urge, then, that true courtesy, which has no taint of servility, be cultivated by every one connected with a bank, and, as the first step toward reaching so desirable a point, that

every thought of superiority be dismissed from the mind. This is the foundation of the whole trouble, and the most marked instances of what may be called "bank snobbishness" are developed from small beginnings, step by step, till haughtiness and selfishness in banks have become second nature.

I have had, thus far, the prosperity of the bank in view in calling attention to this evil. Allow me to conclude with a few remarks in the interest of the clerk.

Remembering that politeness will advance his own interests as well as the bank's, let him supplement this by work of a more solid nature. It should be the aim of a young man to rise higher in business, receiving more and more responsibility every year, till he reaches the top. Commonplace as it sounds, disregard of this truism is the cause of so many examples of clerks, who will never be anything more. For a young man with not quite enough ambition, a bank is the worst place in the world, and the larger the bank the worse for him. To such a person, the ruts grow deeper and deeper, till nothing but a miracle will take him out of them. The reason is plain to see. Having mastered the routine of his position, receiving a fair salary, and working six or seven hours a day, an unambitious man will let "well enough alone." Honorable as the calling is, and preferable to many pursuits, always to be more or less of a machine is not the true goal for a young man. How many fathers, old in years as bookkeepers, tellers, want their sons to follow in their footsteps? Only continued striving will overcome this inertia. The boy last down in the morning and first out in afternoon will never be more than a clerk. The man who dislikes anything harder than his own duties, and grumbles at everything he may occasionally do out of the common course, will not advance with rapid strides. Let him rather show his willingness and ability to do more than is actually required, remaining after hours if necessary, and he will find it pays in the end. Then, too, there is unlimited opportunity for studying the theory as well as the practice of banking and for becoming familiar with the broader subjects of Political Economy and general Finance; all of which tells in the long run. Banking to-day is in breadth and difficulty, on a par with the learned professions, and no banker, however old or experienced, will admit he knows everything about his business. A man, for instance, now-a-days has to be half lawyer to conduct successfully any business, and doubly true is this of banking. How much, outside of a few daily rules, do you know about the law of bills and notes? I once heard a discount clerk insist that a bank could hold only one indorser out of several, in case the maker failed. He had been ten years in a bank, but the great bulk of notes discounted was two-named paper, and his knowledge stopped there.

What do you know about the legal qualities of the half dozen



different kinds of currency in the United States? A teller of twenty years' experience, thoroughly proficient in detecting counterfeit money, told me once that a National bank bill was as good a legal tender as a Government note. He knew that the former would not count in the reserve, but there *his* knowledge stopped. These may be extreme cases, but they illustrate my meaning.

In the study whether of books, or human nature, a young man is constantly adding to his stock of information and indirectly advancing his own interests. Sometime he will find that it will come into play and that he has something to show for it all. In a word, what a man makes of himself, depends on the stuff in him. A lazy, indifferent, unambitious man, no matter how well he performs his prescribed duties, will rarely rise above them. A bright, energetic boy, interested in everything pertaining to his business, and anxious to learn all he can, is bound to rise. Perseverance and energy, united with fair ability, will show better results, than great talents combined with laziness and indifference. Don't be afraid of work.

### FINANCIAL FACTS AND OPINIONS.

The descriptions and amounts of United States bonds held in the Treasury as security for National bank notes were as follows at the dates named:

	1885—February 13.		1885—March 7.		1885—March 14.
6s.....	\$ 3,520,000 ..		\$ 3,520,000 ..		\$ 3,520,000
4½s.....	49,040,050 ..		49,060,050 ..		49,097,550
4s.....	117,548,400 ..		117,928,500 ..		117,841,000
3s.....	146,150,650 ..		145,347,750 ..		145,369,450
	\$ 316,259,100		\$ 315,856,300		\$ 315,828,000

According to tables prepared by the *Iron Age*, the Southern pig iron blast furnaces in operation January 1, 1885, turned out one-fifth of the pig iron made in the whole country, whereas on the first of October, 1878, they turned out only eight per cent. of the whole amount. Charcoal pig iron is not included in these calculations. The indications are that the proportion of the pig iron production of the South will continue to increase rapidly in the future. Every pig iron blast furnace is a practical and effective sermon in favor of the development of American industries, and of making this country independent of foreign supplies of articles essential to its safety and prosperity.

A city contemporary observed recently that "the bank currency was intended to be regulated by the wholesome demands of business," while it has, in fact, "been largely regulated by the premium on the bonds" which constitutes its basis. If we can infer the inten-

tions of the originators of the National banking law, from the law itself, the evidence is complete that they were not governed by the theory that the volume of paper money should be determined by what is called the commercial demand, or the wants of trade. The late Amasa Walker perfectly demonstrated that that method of currency regulation never worked well, even by accident, but from the necessity of the case always worked badly, expanding the volume of money when it ought to be contracted, and contracting it when it ought to be expanded. We rid ourselves of it on the 3d of March, 1865, when Congress suppressed utterly by an excise tax the pestiferous issues of the old State banks. It was put an end to forty-one years ago in Great Britain by the passage of Sir Robert Peel's Bank Act. It is nowhere tolerated in Europe, and about the only part of the world which admits the monstrosity of an elastic bank currency, responsive as to its quantity to the amount of commercial paper offered for discount, is the Dominion of Canada, and the results there do not commend it to imitation elsewhere. The National bank act of 1862 imposed a maximum of \$300,000,000, enlarged a few years later to \$354,000,000, upon the aggregate issues of all the National banks. This restriction was, it is true, removed by a clause of the Resumption Act passed in 1875, but this was not done by the originators of the National banking system, and it was accompanied by a provision that any enlargement of the National bank currency, in consequence of the removal of the restriction, should be offset by a corresponding diminution of so much of the volume of the greenbacks as was in excess of \$300,000,000. In this way, instead of countenancing the idea of making the volume of circulating paper money responsive to what our contemporary calls "the demands of business," the Resumption Act of 1875 seems to have been rather intended to make the aggregate volume of our paper money, greenbacks and bank notes together, a fixed quantity.

A bank currency, controlled as to its volume by the commercial demand, can only be had under a system which permits presidents and cashiers to sign and issue substantially as many notes as they please, and at such times as they please. Banks always have a direct interest to issue as many notes as they can keep in circulation, and inasmuch as more paper money will float as prices go up and business becomes more active, they are sure always to still further stimulate commercial activity when it is already over-stimulated.

The originators of the National banking law intended no such system as that. The law does not authorize bank officers to manufacture notes, but only to use such notes as are issued to them by the Treasury Department. In the shape in which the law was first passed, and during the first thirteen years of its existence, there

were maximum limits to the aggregate quantity of notes which the Treasury could furnish to the banks. Since then, the required prerequisite of a deposit of government bonds as security for such issues has effectually prevented the amount of them from being controlled, and even from being much, if at all, influenced by the commercial demand for money. We do not know that our contemporary would prefer to return to the old system of State bank notes, but if it would, we cannot go with it, believing as we do, that the worst possible method of regulating the volume of paper money is that of increasing and diminishing it in correspondence with the demand for commercial discounts.

Official returns from India show that its growing crop of wheat covers more acres than were devoted to it last year, which proves that the fall in the price of wheat has not lessened its cultivation in that part of the world.

The London *Economist* of February 14, in its review of the foreign trade of Great Britain during the calendar year 1884, says:

We obtained our imports for £22,500,000 less than we should have had to pay if the prices of 1883 had been maintained. For the same reason, however, we received nearly £9,500,000 less for our exports. . . . In 1884, as well as in 1883, we gained in our foreign trade a good deal more from the general fall in prices than we lost by it.

The merchandise imports of Great Britain always do and always must vastly exceed its merchandise exports, because it is from the proceeds of merchandise sent to it that it receives its annual tribute of interest and income from its foreign debtors and investments.

The French Government tax of three per cent. upon interest and dividends, from which French and foreign Government loans are exempt, yielded 31,760,000 francs in 1873, the first year in which it was collected. In 1884 it yielded 50,048,000 francs.

The London *Economist* of January 31 gives an account of a paper read a few days previously before the Scottish Institute of Bankers, by Mr. Jamieson, a director of the Royal Bank of Scotland, in which, after attributing the present low prices and depression everywhere prevailing, mainly to the decrease of the world's supply of gold, he advised as one remedial measure, that the Scotch banks should give up "the system of private issue, and recognize that when bank notes have been raised to the dignity of money, they should be invested with the authority and sanction of a State issue, and with the indisputable security of a State responsibility." As Mr. Jamieson added that he supposed himself to be "in a minority of one" among the bankers whom he addressed, it is evident that the views which he expressed have thus far made little progress among the managers of the Scotch banks. In England, how-

ever, the opinion in favor of compelling the Scotch banks to accept State issues, which was announced two or three years ago as the policy of the Gladstone Ministry, is undoubtedly strong. The London *Economist* holds steadily to that policy, which it believes would "tend to place banking in Scotland on a sounder and more generally satisfactory basis than at present." Of course, the *Economist* sees, that if the Scottish system goes, the English and Irish systems must go too," but it does not hesitate to say:

For our part, we regard the fact that such a change must involve the establishment of a uniform issue for all divisions of the Kingdom, as one of its strongest recommendations.

The State notes proposed to be substituted for the present notes of the Scotch banks are to be a legal tender, as no notes are now in Great Britain, except those of the Bank of England. But, in all other respects, they would be substantially of the same description as the National bank notes in this country. They are to be furnished to the Scotch banks, to be used as money for their profit, and with a duty on their part to redeem them, but if they fail to perform that duty the British Government is to redeem them, and is to hold for that purpose securities to be furnished by the banks. This is essentially like our National bank currency, which consists of notes which, while they are notes for which the banks are liable, are also "State notes," because the United States Treasury is also responsible for them, and does every day redeem them by receiving them for important branches of the National revenue, and would undoubtedly receive them for custom-house duties, except for the pledges given to the holders of our Government bonds that that particular revenue, which is set apart for them, should be collected in coin, which includes certificates of coin, and also, by executive construction, includes greenbacks.

The Austrian Mints coined, during 1884, silver coins for domestic use of the value of 7,237,442 florins, and Maria Theresa thalers, for export to the Levant, of the value of 3,110,648 florins. The gold value of the silver in an Austrian florin is about forty cents.

During the first eight months of the fiscal year of British India, beginning April 1, 1884, the excess of the imports over the exports of gold amounted to \$20,396,980, which is not a very great quantity for a population of 250,000,000, very much addicted to the use of gold and silver in ornaments. For the three or four preceding years the net annual import of gold was fully \$20,000,000. During the forty years ending with 1875 it was \$12,000,000. India may now be called a commercial country. The development of its industries and wealth has been most extraordinary during the past decade, as a consequence of railroad development and other circumstances. The only thing which can prevent India becoming a sink

of gold, as it has always been a sink of silver, is the discovery of Indian gold mines.

The complete returns of our foreign merchandize trade during January (exclusive of gold and silver, coined and uncoined) show a favorable balance of slightly more than thirty-eight million dollars, thus making the total favorable balance for the first seven months of the current fiscal year 148 million dollars. This will be largely increased during the remaining five months. As we have not been paid in gold, except to a small extent, for the trade balances in our favor, it is clear that foreigners must have been selling American stocks and bonds in our markets for the past few months. Reliable reports here and in London show that this has happened as a matter of fact. It is a gratifying circumstance in all aspects. Interest payments to foreign capitalists are precisely the same in their effects upon a country as rents paid to absentee landlords. We trust that the day is not far off when the United States will cease to be exploiting ground for European money-lenders.

The reduction of the net public debt during February was only \$3,204,975, and small as that was, it would have been still less if the payments made out of the Treasury for pensions, being \$3,254,217, had not been between one and a-half and two million dollars below the average monthly payments on that account. For the first eight months (ending with February) of the current fiscal year, the net reduction was \$44,126,885. At that rate for the last four months the reduction for the year would be \$66,190,327, but so large a reduction is not anticipated.

For the next fiscal year, beginning July 1, 1885, the appropriations, as a whole, do not seem to involve any increase of expenditures over those of the current year. The education Bill, passed by the Senate, providing for an expenditure of \$77,000,000 spread over eight years, and the Mexican War Pension Bill, with the Senate amendments, providing for other pension expenditures of a very great amount, were both lost by the failure of the House to act upon them. The enormous outlay upon a Nicaragua Canal is postponed, if not finally defeated, by the refusal thus far of the Senate to ratify the treaty negotiated in reference to it by President Arthur. There was, during the session of Congress just closed, some multiplication of Government business, and some increase in naval appropriations, but by way of offset, the River and Harbor Bill failed to become a law. If the revenues of next year are as large as during the present year, some reduction of the public debt might be anticipated, but it is much to be feared that both the tariff and internal revenues will continue to decline, certainly into the summer of 1886.

## APPROPRIATIONS AND EXPENDITURES DURING THE CIVIL WAR.

In a former volume were described the principal appropriation laws for expending the public money. These were founded on annual estimates submitted to Congress through the Secretary of the Treasury. At the beginning of the war the expenditures, except those relating to the public debt, were made chiefly by authority of one of eleven annual appropriation laws. During the war the amount annually appropriated swelled enormously, but neither the mode of appropriating money nor the number of appropriation laws was changed. It was impossible to estimate with certainty the sums that would be needed for many purposes, and Congress could do nothing more than to follow the recommendations of the departments. Thus a sub-section of the army appropriation law for the fiscal year 1862 contained an appropriation of \$10,000,000 for many purposes which were specified, but not the amount for one of them. The appropriation was a guess, for no one could foretell what amount would be required for anything.

Beside the annual appropriation laws a portion of the National income has always been expended by other appropriation laws of a permanent nature. In 1862 Congress enacted that all duties should be paid in coin or in demand Treasury notes which had been previously authorized, and the coin thus received should be set apart as a "special fund," and applied, first, "to the payment in coin of the interest on the bonds and notes of the United States; second, to the purchase or payment of one per centum of the entire debt of the United States, to be made within each fiscal year after the first day of July, 1862, and the remainder was to be paid into the Treasury." Other permanent appropriations were made during the period covered by this chapter to pay the owners of captured and abandoned property in insurrectionary districts who could prove their right thereto in the court of claims. An "indefinite appropriation" was made in 1862 to pay the allowance or drawback granted on articles subjected to an internal duty when they were exported, also to repay the excess of deposits for unascertained duties, or duties or other money paid under protest, or for refunding duties paid or accruing on merchandise injured or destroyed by fire or other cause when in the custody of the officers of the Government.

From an early period of the Government, an elaborate report has been made annually by the Secretary of the Treasury of the receipts and expenditures. This he has been required to do by a

standing order of the House passed in 1791. The report is prepared by the register of the Treasury, and contains, first, a general account of the receipts and expenditures of the fiscal year covered by it; second, the expenditures and repayments under each head of appropriation, showing the aggregate paid to and repaid by each individual during the year. This account contains the payment for the support of the civil list (that is, the legislative, executive and judiciary), miscellaneous, intercourse with foreign nations, department of the interior, military establishment, naval establishment, public debt, surplus fund and outstanding warrants. The third part of the report consists of statements of the appropriations made for the fiscal year, including the balances on hand at the beginning of it, the payments made during the year, the sums carried to the surplus fund, and the balances unexpended at the end of the year. The next part contains statements of the balances due by or in favor of supervisors, collectors, and officers charged with the administration of the internal revenue laws. Lastly, the report contains a statement of the annual operations of the land office. From this source, therefore, can be obtained complete and detailed information of the public receipts and expenditures. It is not our purpose to give any figures here, but to show how the Government through its officers contracted for supplies and paid for them, what efficiency was shown in transacting the business, what frauds were discovered, and how the guilty were treated.

A few months before the war, Congress enacted that all purchases and contracts for supplies or services, except personal ones, in any department, should be made by advertising a sufficient time previously for proposals, unless the public exigency required the immediate undertaking of the service or furnishing of the supplies. If such an exigency arose, contracts could be made in the manner usual between individuals. More specific regulations were then prepared for the Secretary of the Navy. He was required to make his estimates for expenditures for "freight and transportation, printing and stationery," and twenty other specified purposes in detail, and the expenditures made under the appropriations were to "be accounted for so as to show the disbursements of each bureau under each respective appropriation." All appropriations for specific, general and contingent expenses of the navy department, it was afterward enacted, should be made by the Secretary himself, and the appropriation for each bureau should be kept separate in the Treasury. In making contracts he was required to advertise once a week for four weeks in one or more of the principal papers published in the place where the articles were to be furnished, for sealed proposals for furnishing them, or the whole of any particular class of them. The advertisement, furthermore, was to specify the amount, quantity and description of each kind of articles,

and the proposals were to be kept sealed until the day specified in the advertisement for opening them. This was to be done by the advertising officer, or by his direction, and in the presence of two or more persons. If the lowest bidder failed to enter into the contract, and to give the security required by law, the next lowest bidder had the privilege of making the contract on the same terms as were required of the first. This law modified from time to time had been in operation since 1843.

The modes for making contracts to supply the Government were therefore simple, yet adequate, if the persons appointed to conduct the business had always been honest and efficient. But rascality, widespread and sickening, soon appeared. Said Mr. Van Wyck, a member of the House from New York, and chairman of the committee to investigate the subject of defrauding the Government: "The mania for stealing seems to have run through all the relations of the Government—almost from the general to the drummer-boy; from those nearest the throne of power to the nearest tide-waiter. Nearly every man who deals with the Government seems to feel or desire that it would not long survive, and each had a common right to plunder while it lived. Colonels, intrusted with the power of raising regiments, colluding with contractors, bartering away and dividing contracts for horses and other supplies to enrich personal favorites, purchasing articles and compelling false invoices to be given. While it is no justification, the example has been set in the very departments of the Government. As a general thing, none but favorites gain access there, and no others can obtain contracts which bear enormous profits. They violate the plain provisions of the law requiring bids and proposals on the false and shallow pretext that the public exigency requires it."

The opportunities for perpetrating frauds and making fortunes were improved so quickly that in a short time after the war began the people generally were disturbed by the stories of speculation. At the July session in 1861 the speaker appointed a special committee to investigate them. Beside Mr. Van Wyck, the chairman, were six more members, E. B. Washburne, W. S. Holman, R. E. Fenton, H. L. Dawes, W. G. Steele and James S. Jackson. The committee performed a vast amount of labor, and made three reports, the first on the seventeenth of December (1861), containing over eleven hundred pages, the second on the seventeenth of July the following year, and which was a much larger document than the other, and a third and final report on the third of March, 1863. One of the gravest defects discovered by the committee in making contracts by the departments was the plain violation of law to advertise for proposals and to accept the proposal of the lowest bidder. Instead of executing this reasonable requirement, the secretaries in many cases made contracts with their friends for the furnishing of sup-



plies, justifying themselves on the ground of public exigency. Commissions were usually paid on the purchase money varying from two and one-half to five per cent. The committee recommended the passage of a resolution condemning this practice, and it was passed unanimously. The resolution was especially aimed at the navy department where the most of these peculiar contracts appeared. Unhappily they were not limited to that department. Others were found in the war department, which had been made during the administration of President Lincoln's first war secretary.

Perhaps no useful purpose would be served in giving a history of any of the frauds committed, even if the space could be given. While in contemporary life we are more prone to remember the weaknesses of mankind than their virtues, history reverses this tendency, and delights chiefly in setting forth the bright and glorious phases of human activity. It may prove useful, however, to show how the law was violated, in order to see clearly the need of remedying it, and whether the remedy was effective.

The investigating committee were subject to severe criticism from the time of beginning their work until the end of the Congress. Nearly every person who had wronged the Government had friends, and sought to defend himself. Newspapers often fought valiantly for the speculators, and so did some of the members of Congress. The enemies of the committee were watchful, and improved every favorable opportunity to assail them. Especially when the members were absent from the House, investigating, perhaps in New York or elsewhere, an assailant would deliver a speech in the House, and the news would be sent abroad that the investigating committee had been attacked and no one replied. In many ways the assailants sought to lessen the importance of the work of the committee, and to render the members unpopular. Mr. Roscoe Conkling, at that time a member of the House, sharply denounced the work of the committee, maintaining that "the nation, the Government, classes of individuals, and individuals themselves, had suffered in character; that we had lost caste, and that much harm had come, not from detecting or exposing fraud or extravagance, but from magnifying and exaggerating what had happened, and charging and publishing to the world what had never happened at all." His best known ally who assailed the committee was Schuyler Colfax of Indiana.

At the close of their report in December, 1861, the committee reported the following resolution, "that the practice of employing irresponsible parties, having no official connection with the Government in the performance of public duties, which may be properly performed by regular officers of the Government, and of purchasing by private contract supplies for the different departments, where open and fair competition might be properly invited by reasonable

advertisements for proposals, is injurious to the public service, and meets the unqualified disapprobation of this House." This resolution, so obviously proper, never passed; the House refused to order a ye and nay vote thereon, and the committee were powerless to administer an effective check to wrong doing. They maintained in their report, however, that "many frauds had been exposed, the Government relieved from many unconscionable contracts, and millions of dollars saved to the Treasury." Notwithstanding the conclusive evidence of fraud against several persons, the committee regretted, and so did the people, that punishment was not "meted out to the basest class of transgressors. They to whom this duty belonged," added the committee, "seemed sadly to have neglected it. Worse than traitors in arms," were the men declared to be, who, pretending loyalty to the flag, feasted and fattened on the misfortunes of the nation. To them the committee applied the following couplet:

"May life's unblest cup for such  
Be drugged with treacheries to the brim."

"The leniency of the Government towards these men," said the committee, in closing their remarkable report of nearly three thousand pages, "is a marvel which the present cannot appreciate and history never explain."

Perhaps history can never explain another matter. After the committee had been at work for several months, Mr. Van Wyck desired to investigate the mode of conducting business at the New York Custom House. The other members objected for lack of time. Finally it was decided that Mr. Van Wyck should take the evidence while the other members continued their work of investigating Government contracts. A large body of evidence was collected by him, but very unexpectedly to himself he was instructed by the committee not to proceed in his investigations without further orders. He never received orders to proceed; the other members of the committee returned to New York, and after receiving evidence in defence of what had been done in the Custom House, ordered the testimony taken by Mr. Van Wyck to be deposited with the clerk of the House and held by him "subject only to the inspection of any member of the committee." Why was Mr. Van Wyck summarily suspended from conducting his investigations? His answer was because of "the clamor of the revenue officers and their friends." Personal influence is a magical power, and its effects are much more easily traced than its origin. This investigating committee, whose work is one of the most remarkable products of the thirty-seventh Congress, doubtless had a reason for their order instructing Mr. Van Wyck to discontinue his investigations. What that reason was, however, we fear history will never explain; it will remain unknown like the reason for not prosecuting the

public plunderers whose ignoble conduct had been clearly exposed and especially those who had fraudulently enriched themselves by what the investigating committee with undesigned and rare felicity called "private contracts."

The investigation did yield some fruit in the nature of legislation for the prevention of fraud. Congress enacted that the secretaries of the navy and interior, and of war, should require every contract made by them, or by officers appointed to make contracts, to reduce them to writing and have them signed with the names of the contractors, and file a copy in the "Returns Office" of the Department of the Interior as soon as possible, and within thirty days after making them, and also all bids, offers and proposals. The officers making such contracts were to swear to them, and penalties were prescribed for violations of the law. The Quartermaster-General of the army convinced Congress that the law could not be then enforced, and consequently the execution of it was delayed until the beginning of 1863.

Two months after the law began to operate, Congress resolved that the chief of any bureau should be at liberty to reject the offers of those who had failed as principals or sureties on previous contracts to furnish naval supplies. In those made with the same bureau, one contractor could not be received as surety for another; every contract should require the delivery of a specified quantity, and no bids having nominal or fictitious prices were to be considered. "If more than one bid be offered by any one party, by or in the name of his or their clerk, partner, or other person, all such bids may be rejected; and no person shall be received as a contractor who is not a manufacturer of, or regular dealer in, the articles which he offers to supply, who has not a license as such manufacturer or dealer. And all persons offering bids shall have the right to be present when the bids are opened, and inspect the same."

Notwithstanding this carefully devised measure, enacted to supplement those already existing on the subject, and to guide the department in making contracts and to prevent the committing of frauds, a committee reported the next year that their investigations satisfied them "beyond a doubt that in the matter of naval supplies the previous year the Government had been grossly defrauded by having to pay most exorbitant and enormous prices for very many of the articles procured by contract with the heads of several of the bureaus."

If a person desired to bid for any class of articles that were advertised, he was referred to the several navy agents and chief of bureaus to ascertain what kind of an article was wanted whenever the advertisement did not contain the needful information. Prior to the legislation in 1863 the navy department claimed and exer-

cised the right of exacting from a contractor the supply of a greater amount of the article specified than that mentioned in the advertisement. As that was for a class, and the bid was accepted or rejected for the class as a whole, he was accounted the lowest bidder whose aggregate amount for the whole was the least. "A bidder, by ascertaining what particular item would be required only in small quantities, and what articles would be wanted in the greatest quantity, was enabled, by filling the former at a very low figure, much below the real value or market price, to put a very high figure on those articles of which a large quantity would probably be required, and thus secure the contract by this mode of bidding, to the exclusion of one who bid a fair and honest price for each article, although the latter would, in fact, be most advantageous to the Government." There were, therefore, two defects in the former system; the navy department advertised for a great variety of articles, in which cases the bidder must find out, if possible, what articles would be wanted; another defect consisted in advertising for a quantity of merchandise, with the stipulation that any additional amount of any kind needed during the year of making the bid might be demanded, in which case the bidder must consider what quantities would be wanted. Thus the schedules advertised were no fixed criterion for the quantity to be supplied. A contractor of much experience wrote to one of the officers in the navy department that instead of a clearly defined contract, indicating what the buyer was to receive and the seller to give, during its continuance the result was a lottery to each. The law of March 3, 1863, remedied some of the evils. By advertising for specific quantities, fictitious and excessive prices disappeared. By this reform the most prominent evils of past years were removed.

Yet frauds continued. One way of continuing them was to prevent competition among bidders. An analysis of certain contracts and bids with the bureaus for the year 1863 showed that certain parties, A, B, C and D, of New York, obtained contracts of a most extraordinary nature, involving great loss to the Government. In cases of only one bidder the National Government suffered severely from the lack of competition. When only the four above named were the bidders, prices rose in the most remarkable manner from a high starting point. When competition appeared from other parties, "with a marvelous intuition one or more of A, B, C and D moderated their views of the value of the merchandise, approximating the judgment of the outside competitor, and frequently underbidding him altogether." In June of that year, when a more active competition existed, this quartette were found competitors in almost every class, "at prices as extraordinarily low as in February they were extraordinarily high." The clear inference from these facts was, that the parties, A, B, C and D, knew what the other

bids contained. Another way of practising the frauds was to make incorrect additions. As the total amounts of two bills containing similar items varied, the smaller one was taken. Of course when the contract was ultimately settled the error would be corrected, but it had served the purpose designed of securing the contract.

Payment by the Government of the vast number of obligations constantly accruing was not easy. First of all, the money must be obtained for making payment. How this was done we have already described. But often the Government was heavily in arrears and contractors could not do otherwise than to wait. Many of them accepted certificates of indebtedness in settlement of their demands. Others took greenbacks, or whatever the Government could give to them.

The mode of settling accounts was just the same as before the war. More persons were employed to transact the business, the number of auditors was increased, and the efficiency generally shown in settling claims was very great.

Many claims, however, were irregular, and these rapidly multiplied during the war. The Court of Claims investigated and reported on many of them, Congress adjusted others; many were referred back by Congress to the departments, with special authority for their adjustment. Thus, in 1863 Congress authorized the Secretary of the Navy to adjust and settle the claims of contractors for those naval supplies which had been furnished during the preceding year that exceeded by more than one hundred per cent. the quantities specified in their contracts and without their default. The chief of any bureau with which any contract of the kind was made could associate with himself the chief of any other bureau to hear the evidence relating to it, but an appeal lay from his decision to the Secretary. The law also provided that no contractor should be allowed, except on the excess furnished by him, and on this "not more than sufficient to make the price thereon equal to the fair market value of the supplies at the time and place of delivery." Nothing, however, was to be allowed any contractor, unless there had been an actual loss to him on the whole contract. He was, moreover, required to present his claim within six months from the enactment of the law, or be forever barred from "any equitable claim" against the Government.

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## STOCK CLEARING.

[CONCLUDED FROM THE MARCH NUMBER.]

## THE METHOD FOR STOCK EXCHANGES

is as follows. The scale upon which this plan is drawn is intended for exchanges where the dealings are in about a hundred or more different securities, and the number of accounts five hundred, or more.

The apartment should be about fifty feet wide and eighty feet long. It is divided into two departments—one, the “clearing department,” and the other the “dealers’ department.” The clearing department takes up about one-fourth of the floor and is itself subdivided into different divisions, the number depending upon the number of different securities to be cleared. Each division is a complete clearing-house within itself, operating independently of all the others, at the same time that all are finally consolidated to complete the clearing.

The “members’ department” is provided with a desk for each member; each desk numbered with the number by which the firm or member is exclusively known in the clearing-house—“Exclusively,” because no names are used.

Comparison tickets are exchanged between the buyers and sellers in the usual manner, but the ticket is of a special design or form as below.

[COMPARISON TICKET.]

## CLEARING-HOUSE OF THE NATIONAL EXCHANGE,

*We have BOUGHT of*..... | .....188

<i>Nos.</i>	<i>Shares of</i>	<i>Price.</i>	<i>Amount.</i>	<i>Signature.</i>

Size, 2 inches wide—8 inches long.

The purchasers’ and sellers’ tickets are printed on paper of different colors. After being exchanged, they are not entered up on any statement, but attached together by a gummed surface on the back, one overlapping the other like shingles on the roof of a house. They are so laid over each other that the lower edge of one lays along the ruled line above the written figures, thus covering and eliminating all the printed matter, which is alike in all, and leaving exposed only the record of the transaction which would be copied on the statement if such a form were used. When all are thus attached,

they form mechanically a statement, and with this advantage, that it is in the original figures of the other party to each transaction.

This statement does not pass out of the possession of the dealer. It is made up solely as a proof of the correctness of his summary in the report.

[ COMPARISON TICKET. ]				
CLEARING-HOUSE OF THE NATIONAL EXCHANGE.				
We have Bought of <i>Armstrong &amp; Co.</i>				<i>June 5, 188</i>
Numbers.	Shares.	Price.	Amount.	Signature.
204 of 44.....	4 <i>Cent. Pacif</i> .....	68	27,200	<i>A. I. Marsh</i> .....
610 of 44.....	2 <i>N. Y. Cent.</i> .....	128 $\frac{3}{4}$	25,750	<i>J. Samuels &amp; Bros.</i> ....
420 of 44.....	5 <i>Cent. &amp; N. Y.</i> .....	82	41,125	<i>Carpenter Bros.</i> .....
271 of 44.....	3 <i>N. Y. Cent.</i> .....	128	38,475	<i>E. C. Merced.</i> .....
162 of 44.....	3 <i>West. Un.</i> .....	80 $\frac{3}{8}$	24,112 50	<i>Ward &amp; Sons.</i> .....
	Balance.. ..		5,250	To be entered on "Re- port" in Black Ink.
	Total.....		161,912 50	

The proportions of several tickets and their positions are shown by the dotted lines.

An abstract from this statement is then made of the *differences* in each stock, and in the cash, and transcribed to corresponding spaces on a form called the "report." This is a paper tape, one and a-half inches wide, and from ten to twenty-four inches long, according to the number of stocks belonging to the division to which the report belongs. The reports of each division are accurately and symmetrically spaced, and the spaces headed in print, so that when received by the clearing-house and attached together in a manner similar to the comparison tickets, they form the clearing sheet in the original figures of the members. Each member's entries on his report of differences in the stock, "Western Union," for instance, come into the same column with every other member's entries of the same stock.

[ FORM OF REPORT.]

CLEARING-HOUSE REPORT OF..... | .....188

No. of Broker.	Can'd	C. P.	D. L. W.	L. Sh.	N. W.	N. Y. C.	Om.	O. T.	P. M.	St. P.	U. P.	W. U.	No. of Broker.

In order to condense the matter as much as possible, the balances to receive and balances to deliver are entered in the same column, the former expressed in black ink and the latter in red ink. Experience has proven that with a little practice clerks are less liable to make errors in this way than by the use of two columns. At the hour of clearing, the members, or their representatives, attend the clearing-house in person, having in their possession the statement formed by the comparison tickets attached together. They retain this statement throughout the clearing, and deliver to the clearing-house the paper tape called the "report" only. There being no transcript to be made by the clerks of the Clearing-house, there can be no errors on their part. There may be errors in the reports, but only two kinds of these are possible: (1) That designated as 6th hereinbefore, namely, the error caused by exchanging tickets differing in amount; and (2) the one designated as 7th, in making footings of statements and carrying balances to the reports. The others, which are frequent in the first method, are eliminated by utilizing the original contracts or vouchers in the statement and the members' original reports in the clearing sheet. If either of the above errors occur, it is known to be in one of the divisions; because there being a buyer for every seller, the total amount of purchases in any division of forty stocks must equal the sales in the same division. The members having transactions in that division are detained, but the clearing will proceed with all the other divisions. If the error is one of shares only, it will be located in some particular stock. Only those members having dealings in that stock are detained, the others are dismissed. In this manner any error is traced and corrected with quick dispatch, and with a minimum delay in the clearing, and in only a fraction at that.

No stocks or cash are received until the adjustment is announced, and dealers' clerks remain until they receive their creditor balances, which will be no longer than necessary to re-assort the stocks and hand them over. By this means there can be no locking up of money and property in the clearing-house through any failure to make an adjustment. The clearing-house is no cus-



todian] of property, but merely acts as a medium for making the exchanges between the dealers. Should some unforeseen circumstance prevent a clearing altogether, the dealers are in no worse situation than if there were no clearing-house. They have not parted with their property, and are free to deliver their shares directly to the purchasers.

The advantages of this method are:

*First.*—That it protects the secrecy of the business of the individual by dispensing with the delivery to the clearing-house of the statements of particulars.

*Second.*—It dispenses with the services of the examining clerks and the clerks required to enter the statements on the balance books or clearing sheets.

*Third.*—It requires no change whatever in the system of accounts at present in use in brokers' offices, the "report" being simply an abstract from the purchase and sales books—net differences in totals.

*Fourth.*—It secures maximum economy in making deliveries and payments, and at the same time removes the danger of locking up securities for an indefinite time.

*Fifth.*—It settles every transaction at the actual price at which it was made, without the complicating process of employing a "settling price" involving the keeping of additional accounts and the payment of many small differences.

*Sixth.*—The simplicity and economy of figures and work secured by the apparently trifling mechanical device by which the original vouchers are used to form the statements and reports, thus also largely reducing the obstructions caused by errors, makes practicable that which hitherto has not been so, namely, the full daily clearing of a large volume of business in many different securities.

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The method for

#### PETROLEUM EXCHANGES

and others dealing in only one security has the following modifications:

The provision for a large room and department for the use of brokers' clerks is dispensed with, as the importance of protecting the secrecy of the dealers' operations does not seem to be sufficient at the present stage of the business to warrant the expense of such machinery.

The subdivision of the clearing department is made with reference to the number of dealers instead of the number of securities.

The comparison tickets are of the same form, and the statement is made up in the same manner. This is, however, sent in to the clearing-house with the "report," for the sole purpose of

detecting errors in the latter. The report is of the following form:

*To CLEARING-HOUSE OF THE PETROLEUM EXCHANGE,*

*New York.....188*

REPORT OF.....

<i>No. of Dealer.</i>	<i>Barrels due Dealer.</i>		<i>CASH due Clearing House.</i>		<i>Total purchases and sales Bbls.</i>	<i>Memorandum.</i>

If the purchases exceed the sales, the dealer enters the difference on this report, which is printed on a colored paper. If the sales exceed the purchases, the difference is entered on a similar form printed on paper of a different color.

These are likewise formed into the adjusting sheet by the clearing-house in the same manner as in the other case.

The points of economy of this method are seen in, first, the saving of labor to the dealer and increased convenience to his business in the making up of the statement, which is done mechanically and requires no skilled labor. It saves the time and labor of the clearing clerks, now spent in checking off the tickets with the statements, thus saving expense in the clerical force required.

It reduces the risk of delay by reason of errors. A ticket cannot be entered on the wrong side without staring in the face all through whose hands it may pass. A transaction which is disputed, or which the other party has omitted, cannot be entered on the statement, because the statement is not made by the pen of a clerk, but only by the vouchers themselves. Although dealers know that it is vain to attempt to force the settlement of a disputed transaction through a clearing, they will try it sometimes, and throw the whole machinery out of gear. This method effectually prevents that, short of the commission of the forgery of a ticket. At other times it has been suspected that dealers who are in straightened circumstances have made false statements for the purpose of delaying an adjustment, with the hope of saving themselves from suspension by gaining a little time. This is also prevented, unless forgery or collusion is practiced.

Had this system been in use by the old Gold Exchange the large business which poured in on that institution on the 23d day of September, 1869, would not have produced the confusion which it did. The regular force of that clearing-house was thirty men, which was reinforced by about a dozen more, temporarily supplied for the occasion from brokers' offices. All this force failed to reconcile the claims with the allowances, or even to arrive at a cor-

rect total of the business, until after about a week's hard work. Entries were made for which there were no tickets. Ticket were given and no entries made on the statements of the signers. Many needles of errors were to be searched for in the haystack of fifteen thousand transactions, each of which appeared twice in the accounts. Nothing agreed; all was confusion. The fault was not with the clerks, but with the *method*, which provided no checks upon the commission of errors, and no efficient means of locating and correcting them.

Under this method no claim could have been *presented* which was not acknowledged by a voucher, any more than it could be made in the bank clearing without the presentation of a check. As in the bank clearings, the checks would have been offset against each other, and no imaginary checks could have been introduced to confuse the clearing.

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### THE POTTER REFUNDING BILL.

The merits of the Potter Refunding Bill were set forth by Mr. Potter in a speech during the last session of Congress, accompanied with some calculations that are worth giving in this place.

The bill gives greater freedom to the Secretary of the Treasury than he now has in payment of the public debt, by relieving him from the necessity of applying surplus funds only to payment of bonds now payable at pleasure of Government when such application would injuriously disturb or contract the currency and endanger the business and prosperity of the country, and enabling him to apply such surplus either to the purchase of bonds not due or to refunding the debt into two-and-a-half-per-cent. bonds, or to the payment of bonds now payable at the pleasure of Government, as the interest of the country may require. Under the present law the surplus is applicable only to the payment of bonds due, and payable at the pleasure of Government. Of such bonds uncalled for payment there are but \$184,190,500, all bearing three per cent. interest, of which \$146,018,200 are held by National banks and deposited to secure National bank circulation, and \$38,172,300 by other holders.

By payment of these bonds deposited to secure circulation, Government saves but 2.1 per cent. interest after deducting the tax received from the circulation secured by the same bonds. Payment of these bank-held bonds destroys the security for the bank notes to the amount of ninety per cent. of the bonds, and contracts the bank note circulation to the same amount, unless other bonds are purchased and deposited in place of the bonds paid. The only other bonds available for this purpose, not liable to immediate payment, are the four-per-cent. and four-and-a-half-per-cent. bonds, which now bear so high a premium that they cannot safely and profitably be purchased by banks for this purpose. Payment, therefore, of the three-per-cent. bonds held by banks and now payable causes contraction of the currency and operates to discourage and paralyze

business. If Government now had the option to pay other bonds at an equal or greater saving of interest than can be made by paying those held to secure the currency, and thus avoid disturbance and contraction of the currency, it cannot be doubted it would be its interest and duty to pay such other bonds before paying those held to secure the currency.

This substitute bill provides such an option without injustice to any class of bondholders, and at the same time enables Government to realize a greater saving by .9 per cent. annually upon the amount applied to payment of the debt that can be realized by paying the bonds held to secure the currency. It also provides (section 5) that when greater saving to the country can be made by purchasing bonds not yet due than by payment of bonds due and payable at Government option, this may be done. This freedom of choice and action thus secured to the Secretary of the Treasury will enable him to protect the Government against corners by holders of Government bonds, and also enable that officer to go steadily forward in payment of the debt without the slightest disturbance to the currency, and in such way that this payment will constantly promote and invigorate the business of the country.

This bill, therefore, promotes and facilitates payment of the debt instead of postponing it. Under its operation the debt will be paid with less money and less taxation by very many millions than under the present law. Payment will proceed as fast as the surplus funds in the Treasury thus applicable warrant, and entirely at the convenience and under control of Government. By payment of this small installment—the present worth of the excessive interest now—all the funds will be reduced to par, and will continue at or near par during their entire payment. Each dollar applied to the public debt will extinguish a dollar of the debt, and the country will be no longer at the mercy of the bondholders in applying the surplus to payment of the debt.

Perhaps the greatest and most immediate advantage to the country from the passage of this bill will be the prompt and permanent restoration of confidence and certainty in its currency and business. By its passage every business man in the country will be made certain that the currency cannot be capriciously or unduly contracted during the next twenty-two and one-half years, and that it will at all times be equal to gold. This is precisely the confidence which is necessary to, and must precede, the general and permanent restoration of prosperity throughout the country. With this confidence restored, and based upon the sure foundation of a stable and sufficient currency, at all times and under all circumstances equal to gold, capital will no longer remain timid and idle, and labor no longer remain unemployed. An era of prosperity and healthy activity and progress will commence, which should have, and under wise legislation in these halls will have, no check for the next twenty-two and one-half years.

The following tables illustrate the operation of the Potter and McPherson Bills:

*Statement furnished by the Government Actuary.*

MEMORANDUM.

The present value of \$1.50 a year, the excess of \$4 over \$2.50, for twenty-two and one-quarter years (the interval from April 1, 1885, to July 1, 1907), improved at 3 per cent. per annum, compound interest, reinvested quarter-yearly, is \$24:28.7. The same improved at 3½ per cent. per annum for a like period is \$23.12.

The present value of \$2 a year, the excess of \$4.50 over \$2.50 for six and five-twelfth years (the interval from April 1, 1885, to September 1, 1891), improved at 3 per cent. per annum, compound interest, reinvested quarter-yearly, is \$11.63.4-

The same improved at 3½ per cent. per annum for a like period is \$11.45.

E. B. ELLIOTT, *Government Actuary.*

UNITED STATES TREASURY DEPARTMENT, *January, 1885.*

Amount of money required in refunding under Potter bill.

For refunding all 4 and 4½ per cent. bonds now deposited as security for circulation, \$34,388,400.

For refunding entire present capital of all National banks, \$127,000,000.

For refunding entire amount of 4 and 4½ per cent. bonds now outstanding, \$208,334,040.

*Comparison of Potter bill and McPherson bill for earning value to a National bank of United States bonds deposited to secure circulating notes.*

Assume \$100,000 of 4 per cent. bonds—to-day's market being 122½ per cent.

IF FIVE PER CENT. PER ANNUM BE OBTAINABLE FOR LOANS.

Potter bill:

On \$100,000 bonds, annual interest at 2½ per cent.....	\$2,500
Cash received in the exchange of 4 per cents., 24½ per cent. used at 5 per cent.....	\$24,500, 1,225
Circulating notes, \$90,000, used at 5 per cent.....	\$4,500
Less Tax ½ per cent., \$450, and share of Comptroller's expenses, \$50.....	500
	<u>4,000</u>

Ordinary investments of the money, viz., \$122,500, at 5 per cent. per annum.....	7,725
	<u>6,125</u>

Net gain from note issue per annum.....	\$1,600
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McPherson bill:

Net income from bonds at 122½ per cent., under sinking fund requirement, and according to Government actuary's tables, 2.68 per cent.....	\$2,680
\$100,000 of notes used at 5 per cent.....	\$5,000
Less tax 1 per cent., \$1000, and share of Comptroller's expenses, \$50.....	1,050
	<u>3,950</u>

Ordinary investment of \$122,500 at 5 per cent.....	6,630
Net gain from note issue.....	6,125
	<u>505</u>

Difference against the McPherson bill.....	1,095
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Say about 1 per cent. per annum greater profit from note issue under the terms of the Potter bill.

IF EIGHT PER CENT. PER ANNUM BE OBTAINABLE FOR LOANS.

McPherson bill:

Net income from the 4 per cent. bonds, as above.....	\$2,680
\$100,000 note issue at 8 per cent.....	\$8,000
Less 1 per cent. tax and share of Comptroller's expenses....	1,050
	<u>6,950</u>

Ordinary investment \$122,500 at 8 per cent.....	9,630
Net, from the issue of circulating notes under McPherson bill, loss....	9,800
	<u>\$170</u>

Say loss on circulation .14 per cent. per annum.

Potter bill:

On \$100,000 bonds, annual interest at 2½ per cent.....	\$2,500
On cash received in the exchange \$24,500, used at 8 per cent.....	1,950
Notes \$90,000 used at 8 per cent.....	\$7,200
Less ½ per cent. tax and Comptroller's expenses.....	500
	<u>6,700</u>

Ordinary employment of \$122,500 at 8 per cent. per annum.....	11,160
Net gain from the issue of circulating notes under the Potter bill.....	9,800
	<u>1,360</u>

Say profit on circulation 1.1 per cent. per annum.

## TAXATION OF NEW YORK SAVINGS BANKS.

The report of Mr. Paine, the Superintendent of the New York Savings banks, is a valuable document. A considerable space is devoted to taxation, which is discussed in a manner showing a thorough comprehension of the subject by the author. We regret that we have not space for a longer extract.

In a general way it may be stated that the principles of financial science and of sound commercial policy, demand that the investments of banking capital should be as little hampered as possible. The circulation of loanable money may be compared to the circulation of blood in the human body. By just so much as this circulation is impeded by artificial means, other things being required, by just so much is the health of the body affected and depressed. The taxation of personal property, if made applicable to Savings institutions, would be necessarily most inequitable. Private individuals and many corporations may by evasion or concealment as to the amount to be taxed, avoid payment, but Savings institutions are compelled to make without the possibility of under valuation or other ways, a full public statement of their resources. The low rates of interest which these institutions receive from their investments as a whole is the same as a tax upon their deposits. It is not true, except in a limited sense, that the unproductive expenditure of the rich is necessary for the employment of the poor. Without savings there would be no capital. Its increase gives to labor both additional employment and additional pay.

The principles of equality of taxation, interpreted in its only just sense, is equality of sacrifice. The large sums now on deposit in Savings banks are the result of the moderate accumulations of depositors, which if not united would undoubtedly evade taxation because of their insignificance. The poorer portion of every community pay many indirect taxes, and their small accumulations should be protected from taxation to the end that the tendency to save may be encouraged. For example, those who engage in manual labor usually do not own the tenement that gives them shelter. The landlord imposes the tax he pays in form of additional rent upon the tenant precisely as the farmer increases the price of his products as his taxes increase.

In 1858 the assets of the Savings institutions of this State were reported at \$43,885,991; in 1859, at \$50,686,331; in 1860, at \$60,753,396; in 1861, at \$70,400,752; in 1862, at \$67,144,233; in 1863, at \$80,393,066; in 1864, at \$98,881,171; and in 1865, at \$119,341,393. It will be noticed that during the financial depression of the year 1861 there was a falling off of the resources of more than three millions of dollars, while during the next three years there was an increase of more than one hundred and thirty-one millions of dollars. A natural explanation of a portion of the increase at least is to be found in the fact that thousands of soldiers, before leaving their homes, deposited the sum received by them for bounties, and, having once opened an account, increased the same by placing to their credit a part of their pay. Upon the close of hostili-

ties these accumulations undoubtedly aided materially in solving the then problem of a quiet return to peaceful pursuits upon the part of a vast number of men.

The foregoing is mentioned as one of many illustrations that may be adduced to show the benefits to be gained by a due encouragement of Savings banks. The increase of the common stock of thrift creates the feeling of the importance of public order, and it is submitted that it should be the continuous policy of the Legislature of this State to foster these banks by discouraging all legislation that would retard their prosperity and consequent usefulness.\*

In a discussion of this subject it is fair to admit that some of the depositors in Savings institutions, especially in the larger cities, are persons quite capable of making their own investments without the intervention of these agencies. It is evident, however, that the majority of such persons would not, precisely as the majority of citizens do not, pay any direct tax upon personal property. The real estate held by these institutions has always been subject to taxation and the real estate upon which they hold mortgages is taxed. During the civil war the general Government imposed a tax of three per centum upon their earnings. Soon all deposits of five hundred dollars and under were exempted from taxation and later the propriety of exemption becoming more manifest, all deposits of two thousand dollars or less were free from taxation, but it was not until the act of June 18, 1874, that both classes of Savings banks, viz, those having a paid-up capital and those having no capital stock were exempted from taxation, with the proviso that in the case of a Savings bank having a capital stock, if the stockholders owning the same divided among themselves more than eight per cent. a year, they should pay the tax on their deposit.

A mistaken impression sometimes obtains in this connection. There are, doubtless, among depositors some of an extremely covetous character, but these are the exceptions. Men, generally speaking, are too selfish to maintain a continuous effort of denial for the purpose of gaining a remote reward which is not absolutely sure of realization; the temptation to spend is naturally greater than the inducement to save. The possible unconscious or at least unreasoning prompting to accumulate for the purpose of securing a home and of protecting a family induces perhaps larger deposits than any other motive. Their small amounts taken separately would accomplish no result, but united, they are the vast sums, which being invested or loaned, stimulate labor and promote industry. The aggregation of these deposits has made Savings institutions potent factors in cheapening the price of money and in enabling large sums to be borrowed at low rates of interest.

\* The recently compiled statistics of pauperism in this State for the past year show that out of a total of 125,036 persons relieved, 90,445 were county, and 34,591 were town paupers, while 49,308 persons were temporarily relieved. The expense of supporting these people was \$2,727,163 for county and town paupers, \$2,036,270 for expenses connected with county poor-houses, and \$69,892 as expenses for temporary relief. The land attached to poor-houses amounts to nine thousand two hundred and one-half acres, and was purchased originally for the sum of \$1,916,686. The number received during the year was 52,794. There were born within poor-house walls 947 children. The persons relieved and supported during the year included 70,716 foreigners, 51,377 natives, of the United States, and 8,704 lunatics. The causes leading to pauperism are shown, of which the greatest is sickness, the total from this alone being 39,865; the second largest is indigence and destitution, the number being 20,902, more than half being females. Idleness worked greater results among the men than with the women, for 2,145 of the former found that a reason for being paupers, and but 609 of the latter. Vagrancy also leads with the males, there being 5,029 of them to 1,127 females. Lunacy furnished 8,140; old age, 5,676; children having destitute parents, 2,655; and children having sick parents, 2,107.

The vague theory seems to exist that these deposits and surplus are a vast sea of dormant money instead of being as they are a reservoir of constantly changing capital accessible to and used by owners of real estate, and the many villages, counties and cities of this State, and by all of the thirty-eight States of the union in fair commercial standing. Instead of being stagnant, the money deposited must be employed by reason of section three hundred and sixty-two of the Banking Laws, which provides that whenever it shall appear that the trustees of a Savings institution are keeping permanently uninvested all, or an undue proportion, of the moneys received by them, it becomes the duty of the Superintendent of the Banking Department to report the facts to the Attorney-General who shall proceed against such corporations under the provisions of section two hundred and seventy-eight.

They have become the financial dependence to not a small extent of the whole nation, and if imperiled or threatened with dissipation grave consequences may follow.

The rule now is safety and not net profit. The sum deposited must be ready when demanded. The dividends declared are the incidental not the principal consideration. Confidence is not only a "plant of slow growth," but experience has shown that it can only grow in the sunshine, and a single adverse breath may instantly destroy it. Admitting, however, that the temptation to spend was successfully resisted, where can their small accumulations be securely deposited, or, if invested, where can the evidence of the indebtedness be placed without considerable expense, so as to be safe from loss. But if the pecuniary result were not to be considered, the moral result, by discouraging habits of industry and economy cannot be overdrawn.

Recent occurrences, both at home and abroad, tend to create the impression that a contest with the doctrine of a community of property, or rather the negation of individual rights in property, is nearer than has been heretofore generally believed. The advocates of the communistic theory are not controlled by other than means of a material character; an exposition of its vagaries cannot affect minds disordered, or at least illogical. While it seems absurd to speak of organized anarchy as existing in this country, yet it has manifested itself elsewhere in highly civilized communities, and the fact that meetings of socialistic societies seem to be of sufficient importance to frequently receive extended notices in the daily press, indicates that there is some foundation for apprehension. All communities possess an unstable and vicious element, and experience demonstrates that a slight pretext may be made an excuse for a disturbance not easily quelled. Savings institutions especially are to be conserved as barriers to the increase of communism.

The small sums the State may realize by the enactment of laws of a nature to the bill previously mentioned are of small consequence compared to the harm wrought by the knowledge of the fact that these deposits are subject to taxation for the support of Government and the maintenance of the indolent. On the contrary, much may be said to support the theory that the State should contribute toward the support of these philanthropic institutions. Naturally in foreign countries, in pursuance of the paternal theory of Government, Savings banks, as part of the eleemosynary or philanthropic objects of society's care, like asylums and homes, have been placed under the patronage of the Government, but in this country they have never been in the remotest degree a charge to



## CONDITION OF TRUST, LOAN, AND MORTGAGE COMPANIES OF NEW YORK, ON JANUARY 1, 1885.

NAME.	Location.	Resources.	Capital.	Deposits.	Other Liabilities.	Surplus and Profits.
American Loan and Trust Company.....	New York City...	\$2,790,949 06	\$500,000 00	\$2,250,859 78	—	\$40,089 28
Brooklyn Trust Company.....	Brooklyn .....	6,609,229 78	600,000 00	5,572,730 48	\$45,233 34	391,265 96
Buffalo Loan, Trust and Safe Deposit Company..	Buffalo .....	601,019 67	137,000 00	420,052 96	36,966 71	7,000 00
Central Trust Company.....	New York City...	18,335,833 55	1,000,000 00	15,616,251 81	210,222 33	1,599,359 41
Equitable Trust Company of New London, Conn.	New York City...	5,736,634 06	1,500,000 00	—	4,391,318 98	—
Farmers' Loan and Trust Company.....	New York City...	19,125,851 16	1,000,000 00	15,814,840 96	102,791 65	2,208,218 55
Knickerbocker Trust Company.....	New York City...	592,174 21	300,000 00	290,774 27	382 58	1,017 36
Long Island Loan and Trust Company.....	Brooklyn .....	1,450,959 81	300,000 00	1,129,262 25	8,605 29	13,092 27
Mercantile Trust Company.....	New York City...	10,900,989 45	2,000,000 00	8,340,077 94	95,856 91	465,054 60
Metropolitan Trust Company.....	New York City...	4,824,559 68	1,000,000 00	3,612,059 08	42,089 18	170,411 42
Mutual Trust Company.....	New York City...	131,501 78	50,000 00	406 36	26,894 46	54,200 96
New York Guaranty and Indemnity Company.....	New York City...	103,821 45	100,000 00	—	597 16	3,224 29
New York Life Insurance and Trust Company....	New York City...	19,540,566 65	1,000,000 00	15,504,756 98	1,233,386 24	1,808,423 43
Real Estate Trust Company.....	New York City...	384,103 31	300,000 00	9,277 72	81,383 42	—
Rochester Trust and Safe Deposit Company.....	Rochester .....	105,661 17	90,000 00	—	—	15,661 17
Title Guaranty and Trust Company.....	New York City...	178,452 62	100,000 00	—	75,900 00	2,552 62
Trust and Deposit Company of Onondaga.....	Syracuse .....	1,133,118 26	100,000 00	994,400 61	229 17	38,488 48
Union Trust Company.....	New York City...	23,873,411 05	1,000,000 00	20,660,344 94	382,497 39	1,830,568 72
United States Mortgage Company.....	New York City...	2,811,866 22	1,000,000 00	—	1,639,656 92	159,149 30
United States Trust Company.....	New York City...	39,456,418 37	2,000,000 00	31,543,714 50	624,768 95	5,287,934 92
		158,693,061 31	14,077,000 00	121,759,810 64	9,011,780 68	14,005,712 74

Deficiency of assets of Equitable Trust Company, \$154,684.92.

Deficiency of assets of Real Estate Trust Company, \$6,557.83

be maintained by local or general taxation. The City of New York has given enormously, both in real and personal property, to hospitals, asylums and kindred institutions under the control of private societies, and this policy obtains at the present time both there and elsewhere in this State. When this policy is not pursued, and school property is not exempted from taxation, then, and not before, let bills similar to the one proposed become statutes.

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### SILVER CERTIFICATES AND THE NEW YORK CLEARING-HOUSE.

Mr. George S. Coe, President of the American Exchange National Bank of New York, has recently answered, in a small pamphlet, the question, "Shall silver dollars and silver certificates be used in settlement of balances between banks in the New York Clearing-house?" He draws attention to the report of a committee of the Clearing-house appointed in 1878 to co-operate with the Secretary of the Treasury, in the resumption of specie payments on the first of January, 1879, as containing the views of the New York banks at that time on the subject of the *compulsory coinage of silver dollars*, and also the agreement unanimously adopted by the banks for regulating their dealings with each other and with the public, after resumption was accomplished.

"Since then the exchanges between banks in the Clearing-house have been made in conformity with that agreement, upon a gold basis, and balances have been paid without deviation, either in gold coin, gold certificates, or United States legal-tender notes. The Government, also, which, for mutual convenience, then commenced making daily payments at the same place of the numerous drafts upon the Treasury held by banks for collection, has conformed to the same mode of payment.

"Thus the great monetary movement of banks and Government in New York has proceeded together, without interruption, upon a gold basis, while the hope has been entertained that the law compelling the creation of silver dollars would be modified or repealed.

"But Congress has adjourned, after expressing an emphatic determination to maintain that law as it stands, and the manufacture of these peculiar coins must indefinitely continue, and become an augmenting element in the money of the nation. They have already exceeded the limit of use to which they have hitherto been mainly confined as receipts and payments of the United States Treasury, and they now press themselves for admission into trade and commerce as a measure of value in all business transactions, subject only to such restraint as the Executive may impose in the administration of the law.

"The Clearing-house is the avenue through which these coins must necessarily pass before they can enter into general use as money of the community. Whatever medium of payment is there accepted in settlement of the larger proportion of public business done through banks, must be disbursed by them to the multitude

of their dealers, and thus become the accepted instrument of trade. Upon the members of the Clearing-house, therefore, now rests the immense responsibility of determining whether the unit of value shall longer be retained at par with other civilized nations, or whether it shall sink to a lower level.

"As silver dollars were demonetized in 1873, the resumption of coin payments in 1879 was avowedly *upon the gold basis*. Such was the understanding when, by the law of 1875, resumption was decreed, and legal provision was distinctly made to sustain that standard of payment. Three years after that Act, the Government, by the power of its supreme mandate, emitted these *silver* dollars, of so much less relative or intrinsic value that it requires *six* of them to make the commercial equivalent of *five gold* dollars. Yet these two legal dollars of such disparity in value now demand entrance into the New York Clearing-house, and through it into general business, as a just measure of property and service throughout this broad country, upon equal terms. Common sense and common justice revolt at this demand. One of these coins may travel at its face value throughout the world. The other—merely a conventional token—shrinks into its inherent capacity the moment it passes the boundary line of its Government. The two cannot be yoked together for practical service; they are not interchangeable at the place of their issue, and cannot, in the nature of things, be indiscriminately used in business transactions.

The absence or insufficiency of one of these two forms of money may constrain the transient use of the other in the market, and hold them temporarily together; but when the doors of the Clearing-house are once opened in any degree to the admission of the cheaper coin, debasement of the aggregate reserve of the banks at once begins, and there is no logical point at which it can be arrested. Gold will silently steal away into hiding places in volume greatly disproportioned to the silver introduced, the real difference between the two moneys will more distinctly assert itself in the price, and severe contraction must ensue, to the detriment of all business. In this condition of things relief will naturally be sought in the more rapid increase of the silver coins, and to the greater deterioration of the mass, until they occupy, uncontested, the whole field, and the bottom is reached. In this simple statement there is no exaggeration. It has been fully exemplified in our own experience, but with this important difference, that while the ultimate descent may be less manifest now than then, in degree, yet in retaining a nominal payment in coin there will be unforeseen and international obstacles to recovery, and the public conscience, being less disturbed, will not, for very shame, assist in restoration, as in the case of irredeemable paper. Such a suspension, entirely gratuitous and unspeakably disastrous to this great country, will be almost irremediable. Is it not the duty of bank officers to guard with jealous care that special avenue of approach of this dread enemy, which they have in charge?

"The aggregate gold reserves in the Clearing-house banks is now superabundant for all possible demands of business. They exceed one hundred millions in gold coin, besides which the banks have some twenty to thirty million dollars in foreign exchange, convertible into gold at pleasure, and some forty millions legal-tender notes, exchangeable into the same coin.

"These resources are great beyond precedent in our financial history. Besides all this, the banks and bankers throughout the coun-

try are relatively well supplied, and the gold resources of the people are also ample for all their requirements.

"There is no financial necessity for any change whatever in the medium of payments through the Clearing-house in New York, and none should be admitted. The banks do not desire to be released from their voluntary obligation to pay under their existing agreement, and as they offer no silver certificates in payment of balances to each other, none will be refused. They will continue eminently loyal to the Government by using exclusively the highest quality of legal money which bears the National symbol and superscription.

"In their exchanges with the Government it is not necessary that the money received from the Treasurer at the Clearing-house should be merged into that which passes between banks. It may be set apart and treated as a special fund, to be paid over to the banks interested, and in the very money received on their behalf. There will, therefore, be no refusal of silver certificates, and no infraction of the statute in that regard. But, if necessary, the more effectually to eliminate the transactions of Government from those of banks, the Treasurer may withdraw altogether from the Clearing-house, and leave the banks to make their payments to each other in gold, as they have already agreed to do.

"In thus preserving unadulterated the Clearing-house settlements and the gold reserves of banks, the strongest assurance will be given to depositors that their funds are secure, and therefore all motive to withdraw them will be removed. The gold resources of the country will remain in the currents of business, will be utilized as money, and be held subject to the influences and restraints by which legitimate banking controls the movement of commerce and affects the ebb and flow of balances with other nations.

"The gold coins of the nation yet constitute by far the largest element in the circulating medium. It is certain that, aside from the general derangement they produce, the enforced issue of silver dollars will cause the withdrawal as money of a much larger volume than is thus introduced, and that the expulsive power of the cheaper currency will be increased in the ratio of its continuance. It is, therefore, of the highest importance that the New York Clearing-house should counteract this downward influence by maintaining the international standard in all its integrity. The banks in New York owe a duty to commerce which they cannot abandon to a depreciated currency without the sacrifice at once both of principle and of profit.

"In dealing with these two currencies it is also of the greatest importance to regard the Clearing-house funds as the standard of business, and require that the silver dollars bear the exceptional character which rightfully belongs to them, and which must sooner or later reduce them to their relative discount. This is the truth regarding them, and by recognizing the fact in trade and in expression, they will sooner receive the popular condemnation.

"If the banks of New York can maintain the gold standard, they will not only retain their present deposits, but will be certain to increase them by remittances of similar character from places where the inferior coin has been freely admitted. The reception of the one is the expulsion of the other in every locality. By thus securing and holding firmly to the standard of legitimate and universal commerce, this city may not only retain its financial supremacy, but may, by its power and its example, render important service in restoring the country to a sound financial condition, after public sentiment shall have had time to express itself in better legislation.

"By holding the New York Clearing-house exclusively upon the gold basis, the banks will not only retain the confidence of fearful and conservative men, and prevent the withdrawal and hoarding of gold coin, but all the reserves of that character will still be utilized as money, be subjected to the restraints of commerce and of legitimate banking, and thus go to promote the general prosperity. This city will thus secure to itself more and more the substantial business of the country, and be in a greater degree the natural medium of foreign trade.

"The *silver currency*, as the unnatural volume increases, will be more and more the subject of daily irritation. It must, however, be accepted for the time as an unavoidable infliction, and be separated in practical business from current money by marked discrimination.

"The evil result of the compulsory silver law can be greatly mitigated by the manner of its execution. Most happily, the President-elect has expressed his own views upon the subject in such clear and unmistakable terms as to leave no doubt of his purpose to exercise in this respect a wise discretion for the best interest of all the people. And it is easy to see how, in the wide sweep of the financial operations of the Treasury, in receipt of a large surplus revenue, this great power can be legitimately used with the least disturbance of the existing currency, and for the general welfare and prosperity of the whole country. There is, therefore, nothing for the New York banks to do but to maintain inviolately their present agreement with each other."

The report of the meeting referred to shows that several members of the Association, including George S. Coe, President American Exchange Bank; Wm. Dowd, Bank of North America; B. B. Sherman, Mechanics' National, and Manager Wm. Camp, have visited Washington to confer with the Secretary of the Treasury and the Comptroller of the Currency upon the following subjects: 1st. To facilitate the payments of checks, drafts, &c., between the United States Treasury and the banks. 2d. To interchange views respecting the means by which the banks could best co-operate with the Secretary of the Treasury for the resumption of special payments; and the committee accordingly presented a letter from Assistant-Treasurer Hillhouse, containing the following propositions for the consideration of the banks in the Clearing-house:

"*First*.—Hereafter, drafts drawn upon any bank represented in the Clearing-house Association in the City of New York, received by the Assistant Treasurer in that city, may be presented to such bank at the Clearing-house for payment. *Second*.—Hereafter, drafts drawn on the Assistant Treasurer at New York may be adjusted by him at the Clearing-house, and the balance due from the United States may be paid at his office in United States notes or Clearing-house certificates. *Third*.—After the 1st of January next, payment of checks presented to the Assistant Treasurer by any bank connected with the Clearing-house, may be made by him in United States notes. On the acceptance of these propositions, by resolution of the Association, entered on its records, or in any other form that will convey its sanction, I am authorized to conform to them so soon as the necessary details can be arranged."

A resolution was thereupon adopted, authorizing Manager Camp to make such an arrangement with the Assistant Treasurer as would accomplish the purpose through the medium of the Clearing-house. The committee also reported that they had presented their views to

the Secretary upon the subject of resumption of specie payments, in which they had suggested the following outline of policy as proper to be recommended for adoption by the banks in New York City after the 1st January, 1879:

1. Decline receiving gold coins as "special deposits," but accept and treat them only as "lawful money."
2. Abolish special exchanges of gold checks at the Clearing-house.
3. Pay and receive balances between banks at Clearing-house, either in gold or United States legal-tender notes.
4. Receive silver dollars upon deposit, only under special contract to withdraw the same in kind.
5. Prohibit payments of balances at Clearing-house in silver certificates or in silver dollars, excepting as subsidiary coin in small sums (say, under \$10.)
6. Discontinue gold special accounts by notice to dealers on 1st January next to terminate them.

These recommendations were substantially adopted.

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### ROBBING THE BANK OF ENGLAND.

It is somewhat remarkable that, until 1758—a period of sixty-five years from the foundation of the bank—no attempt was made to imitate its notes; in other words, bank-note forgery was as yet un-invented. The doubtful honor of having led the way in this particular belongs to one Richard William Vaughan. There is an element of romance about his story. In August, 1757, a gentleman named Bliss, residing in London, advertised for a clerk. Among others, Vaughan, then aged twenty-six, offered himself, and was accepted. He was of good address and education, though he had made but an indifferent use of his advantages. He had started as a linen-draper in Stafford, with a branch establishment in Aldersgate Street, London, but had failed, and at the time of his engagement with Mr. Bliss, was an uncertified bankrupt. This, however, his employer was not at first made aware of; and in the meantime the young adventurer succeeded in winning the affections of a niece of Mr. Bliss, a young lady of some expectations. Mr. Bliss was induced, after some pressure, to consent to their marriage, conditionally upon Vaughan's first clearing himself from his difficulties, and showing that he was in a position to marry. Vaughan expressed himself confident of speedily meeting these requirements, and shortly afterwards announced that his relatives had agreed to lend him a helping hand; that his discharge from bankruptcy would be forthwith granted, and that immediately afterwards he would start afresh in business.

Meanwhile, in support of his assertions, he showed his lady-love, and indeed placed in her keeping, twelve alleged Bank of England notes for twenty pounds each. The wedding day was fixed for Easter Monday (1758), some three weeks later. In the meantime, however, an engraver, whom Vaughan, under an assumed name, had commissioned to engrave part of the plates for the notes, suspecting something wrong, gave information to the police. Vaughan was arrested, and spent his intended wedding day in the "condemned cell," under sentence of death for forgery. At the trial it was urged in his defence that the forged notes were not intended to be put

in circulation, but merely to be used as a means of deluding Miss Bliss and her family. It was shown, however, that the twelve notes deposited formed only a part of those actually printed, and that Vaughan had endeavored to induce one John Ballingar to cash some of them. The defence therefore failed, and Vaughan was hanged.

The imitation of the bank note at that date was a much easier matter than it is at present, the note itself being a very rough affair, and only partly engraved; the amount, the name of the payee, and the signature of the cashier being supplied in writing. Vaughan's appears to have been an extremely clumsy imitation, not even an attempt being made to imitate the water mark, which is one of the special signs of a genuine note. Unfortunately, the feasibility of imitation once shown, there were plenty to follow and to improve upon his example. There was, however, no attempt at bank-note forgery on a large scale until the year 1780, when a note was one day presented at the bank, and was cashed in ordinary course. The paper, the watermark, the engraving, and the signatures, all were in perfect order. Indeed, so complete was the deception, that it was only when the note was about to be posted to the ledger appropriate to returned notes of that particular date, that it was found to be a duplicate of a note already returned, and consequently a forgery.

It may be here explained that all notes of any given date are always of the same denomination, and that each issue consists of one hundred thousand notes, numbered from one (written 000001) upwards. Thus before us is a five-pound note, bearing date the 30th of June, 1884. Anyone conversant with the system on which the notes of the Bank of England are issued would know at once that no genuine note of any other denomination (that is, of any amount other than five pounds) can bear that particular date, and that of that date there have been one hundred thousand notes printed, each for five pounds. To keep account of these, a ledger lettered on the back to correspond with the particular series (say, "Fives, 30 June, 1884") is prepared, ruled with horizontal and vertical lines, so as to form on each page two hundred rectangular spaces. These are numbered consecutively throughout the book from one to one hundred thousand. As each note is returned to the bank, the date of its return is entered in the corresponding space in this ledger. A forger manufacturing, say, five-pound notes, will take care to use a date when a series of five-pound notes was actually issued, and will further take care that the number shall be one between one and one hundred thousand, or the imitation would be at once detected by any skilled person. Assuming that the note is so well executed as to pass the cashiers, it is sure to be discovered when it reaches the "Returned Note" department, if the true note bearing the same number, has already been presented at the bank, as it would then be seen that there were duplicate notes of that particular number.

Such was the case with the note in question. The attention of the cashiers once called to the matter, it would have been thought that either the presentation of the forged notes would cease, or that the detection of the forger would be an easy matter. But it was not so, similar notes continued to be presented; but the identity of the forger remained a mystery. Lotteries were in vogue at that day, and the notes were generally traced to one or other of the lottery offices; but there the clue failed. At last, however, a note being traced to one of these offices, the keepers reported that they had received it from a young man named Samuel, living in a street

off the Strand. The police went to the address given, and found the young man, who admitted changing the note at the lottery office as alleged, but declared that he had merely done so by order of his master. He stated that having seen in the *Daily Advertiser* an advertisement for a servant, he applied for the situation, addressing his reply, as directed, to a certain coffee-house, and that, a day or two later, he was called out from his lodgings to see the advertiser, who was awaiting in a coach outside. He found in the coach an aged gentleman, with a patch over one eye, and with one foot swathed in bandages, as if from gout. The old gentleman informed him that his name was Brank; that he required a servant for a ward of his, a young noble, just then absent from town; and, after a few preliminaries, made an appointment for Samuel to call upon him at his lodgings in Great Titchfield Street. He did so, when the *sor-disant* Brank informed him that his ward had an unfortunate mania for speculating in lotteries, and that one of Samuel's chief occupations would be purchasing tickets for this purpose. By way of beginning, Brank handed him a note for twenty pounds, with instructions to purchase an eight-pound chance in the drawing then commencing, and to meet him with the ticket at the door of the Parliament Street Coffee-house. This done, he gave him two more notes, to be used in the same way, telling him to meet him afterwards at the City Coffee-house, Cheapside. On his way thither he was hailed from a coach by his venerable employer, and entrusted with four hundred pounds more, to be expended in like manner at different offices, and at the end of the day notes to the amount of fourteen hundred pounds had been thus placed in circulation. The next day notes for twelve hundred pounds were got rid of in like manner, and the day following, five hundred more. In negotiating this last parcel of notes Samuel was asked to write down his name and address, and this led, as we have seen, to his arrest.

The police, being satisfied that Samuel spoke the truth, left him in his lodgings, instructing him to report to them when he next heard from his mysterious employer. A day or two later he received a letter, requesting him to meet Mr. Brank at a certain coffee-house at eleven o'clock the next day. He went to the coffee-house indicated, two officers in disguise closely following him. He was a few minutes late, and was told that a porter had been inquiring for him. He waited at the coffee-house for some time; but in vain. The mysterious Brank had somehow taken the alarm. A raid was made upon his lodgings in Great Titchfield Street; but the supposed Brank had not been there for some days. Rewards were offered for his apprehension, and his description—in the "patch" disguise—circulated in the public prints; but in vain.

For five years paper forged by the same hand continued to be presented, and the bank authorities were at their wits' end, when, fortunately for them the ingenious forger hit on a new form of fraud, which led to his capture. A custom at that time prevailed at the Bank of England, that when a person paid in gold to be exchanged for notes, he did not in the first instance, receive the notes themselves, but only a ticket showing the amount, which was exchanged at another counter for the notes. "On the 17th of December" (1785), it is stated in a newspaper of the day, "ten pounds was paid into the bank, for which the clerk, as usual, gave a ticket to receive a bank note of equal value. This ticket ought to have been carried immediately to the cashier; instead of which the bearer



took it home, added a 'o' to the original sum, and returning, presented it so altered to the cashier, for which he received a note of one hundred pounds. In the evening the clerks found a deficiency in the accounts, and on examining the tickets of the day, not only that, but two others were found to have been altered in the same manner. In the one, the figure 1 was altered to 4, and in another to 5, by which the artist received, upon the whole, near one thousand pounds."

The numbers of the notes issued had, in usual course, been taken down, and it may be imagined that their return was watched for with much interest. At last one of them was presented, and was traced to a highly respectable silversmith. He was interrogated, and stated that he received the note from a gentleman who gave frequent entertainments on a grand scale, and was in the habit of hiring plate in large quantities of him for that purpose. A police officer was stationed in the house, and at his next visit the hospitable customer was arrested, and was found to be the forger who had so long baffled all attempts to discover him.

This man, Charles Price, the son of a slopseller in St. Giles', had in his time "played many parts." He first appears as a runaway apprentice, then as a gentleman's servant, in which capacity he traveled all over Europe, and doubtless picked up much useful information. He then started as a brewer, became bankrupt; then a distiller, and was sent to the King's Bench Prison for defrauding the revenue. He then turned brewer again, then lottery office keeper, then stockbroker, again became bankrupt, and then opened another lottery office, this, his last public venture, being in King Street, Covent Garden. From this date (1780) he disappears from public life, preferring thenceforth "to blush unseen," and to devote his whole energies to his lucrative warfare against the money bags of the Bank of England. His only assistants were his wife and a Mrs. Pounteney, a relative of his wife, in whose house he executed the mechanical part of his forgeries, and who acted as a spy to watch the person employed to utter the notes, that Price might be warned in time of any hitch in the proceedings. When Price was taken he made a full confession. It appeared that during the five years, 1780-1785, he had passed under no less than fifty different names, and nearly as many different disguises. Now, however, the game was up, and Price felt that it was so. Before the date at which he should have been brought to trial, he hanged himself in his cell.

Another eminent forger was John Mathison, originally a watchmaker at Gretna Green. Having acquired, as a recreation, the art of engraving, he developed unusual skill therein. He had also an extraordinary facility for imitating handwriting. These accomplishments he employed in imitating, first, the notes of the Darlington Bank, then those of the Royal Bank of Edinburgh; and finally, coming to London, he began upon the notes of the Bank of England. As a proof of his extraordinary energy, we may mention that within ten days of his arrival in London, he had begun to utter forged notes, having in the meantime bought the copper, engraved the plates, forged the watermark, and printed the notes. He paid frequent visits to the bank, exchanging gold for notes, or notes of one denomination for another, to serve as models for his fraudulent imitations. On one of these occasions a large sum of money was being paid in by the excise. A question was raised by the teller as to the goodness of one of the notes. Mathison, standing by, pronounced, without hesitation, that it was a good one, which proved

to be the case. So remarkable a display of knowledge on the part of an outsider, called attention to the volunteer expert. The clerk remembered Mathison as a frequent changer of notes; and this incident led to his apprehension and subsequent conviction. He offered, if his life were spared, to reveal the secret of his process for imitating the watermark; but the offer was not accepted, and he suffered the usual penalty for his offence.

In the year 1797, in consequence of a scarcity of gold, the Bank of England was for the first time authorized to issue one-pound notes, and this led to an enormous increase in the number of forgeries. During six years prior to this date there had been but one capital conviction for forgery. During the four years next following this issue of the one-pound note there were *eighty-five*. This was doubtless attributable to the increased number of notes in circulation, the freedom with which they passed from hand to hand, the length of time during which they circulated without presentation, and the fact that, unlike the five-pound notes, their circulation was not confined to the well-to-do and educated classes, but was in a great degree among poor and ignorant persons, who were not likely to detect a spurious imitation. In 1808, the police unearthed, at Birmingham, a regular factory of these notes, whence they were issued wholesale at six shillings in the pound on their nominal value. The forgers, thirteen in number, were arrested, and notes to the amount of ten thousand pounds were seized on the premises.

In the mean time, a fraud of even greater magnitude had been perpetrated within the bank itself by one of its most trusted servants. In 1803, a Mr. Bish, a stockbroker, was instructed by Mr. Robert Astlett, Cashier of the Bank of England, to dispose of some exchequer bills, which, from certain circumstances, Bish knew to be in the official custody of the bank. His suspicions being thus aroused, he communicated with the directors, and it was found that Astlett, who had charge of all exchequer bills brought into the bank, and should have transferred them in parcels properly docketed to the custody of the directors, had succeeded in diverting a large number of them to his own uses, his defalcations amounting to no less than three hundred and twenty thousand pounds. Astlett was tried for his offence, and was sentenced to death; but the sentence was never carried into effect. The prisoner remained in Newgate for many years, but whether he died in prison, we do not find recorded.

Passing over the great Stock Exchange frauds of 1814, as a matter in which the bank was only indirectly interested, we come to the forgeries of Fauntleroy, which, from their magnitude and the position of the offender, produced an extraordinary sensation. Henry Fauntleroy had succeeded his father as a partner in the banking firm of Marsh, Stracy & Co. The firm was unfortunate, and Fauntleroy speculated largely on the Stock Exchange in the hope of improving his fortunes, but actually involved himself, thereby in still greater difficulties. To meet these, he forged powers of attorney enabling him to deal with funded securities belonging to various clients, from time to time replacing one fund by the proceeds of a later forgery. He began in May, 1815, with a power of attorney empowering Messrs. Marsh & Co. to sell out a sum of three thousand pounds consols. It is an every-day occurrence for clients to give such powers to their bankers, and the one in question appeared to be in perfect order. It purported to be executed by the fundholder, one Frances Young, of Chichester, and to be at-

tested by two of the clerks of Messrs. Marsh & Co. The power was presented at the Bank of England. There was nothing to excite suspicion, and the document was acted on in ordinary course. From this date up to 1824 the presentation of such powers by Messrs. Marsh & Co. became a matter of frequent occurrence, and very large sums were thus obtained. At last a crash came. Henry Fauntleroy was joint trustee with some other gentlemen of certain moneys invested in the three per cents. One of the trustees chancing to call at the bank to make some inquiry respecting the trust fund, found, to his horror, that it had been sold out, under an alleged power of attorney, by Mr. Fauntleroy. In consequence of his communication to the bank authorities, the whole of the powers acted upon by Marsh & Co. were investigated, and a great part of them were found to be forged. On the 9th of September, 1824, Fauntleroy was arrested in his own banking-house. He offered the officer who arrested him *ten thousand pounds* if he would connive at his escape, but in vain. On searching his private office, a box was found containing a long list of forgeries, with a memorandum in the following words: "In order to keep up the credit of our house I have forged powers of attorney, and have therefore sold out all these sums without the knowledge of any of my partners. I have given credit in the accounts for the interest when it became due. (*Signed*) HENRY FAUNTLEROY." It is said that at the moment of his apprehension he had ready a fresh power of attorney, by means of which he would have been enabled to replace the stock whose absence led to the discovery. The amount of loss to the bank of England by Fauntleroy's forgeries is said to have been no less than three hundred and sixty thousand pounds. He was executed at Newgate on November 30, 1824.

For some years after this date, forgery continued to be a capital offence; but there was a growing feeling against the severity of the punishment. In 1832 a bill was passed abolishing the capital penalty in the case of all forgeries, save those of wills and powers of attorney; and in 1837 these also ceased to be capital offences.

In 1844 a very ingenious fraud was perpetrated, with the curious result of restoring to the rightful owner a large sum of money, of whose very existence she was not aware. In the year 1815 a Mr. Slack died, leaving a Mr. Hulme his executor. Mr. Hulme, in the course of his duties as such, transferred into the name of Ann Slack, of Smith Street, Chelsea, six thousand six hundred pounds consols, and three thousand five hundred pounds three-per-cent. reduced annuities. During Mr. Hulme's lifetime he received the dividends on both funds, and Miss Slack drew on him for money as she needed it. Upon his death, in 1832, Miss Slack resolved thenceforth to receive her dividends herself, but only did so as regarded the six thousand six hundred pounds consols, not being aware, apparently, that she was also entitled to the three thousand five hundred pounds. This state of things continued from 1832 to 1842, when the three thousand five hundred pounds reduced annuities, with ten years' dividends, were transferred, as unclaimed, to the commissioners for the reduction of the National debt. The fact of the transfer being known to a clerk in the bank, one William Christmas, he communicated it to one Joshua Fletcher, who forthwith concocted a scheme for possessing himself of the amount. With the aid of a solicitor named Barber, he ascertained that Ann Slack was still alive, and managed to obtain a specimen of her signature. He then registered Ann Slack as deceased, first, however, forging a

will in her name, purporting to bequeath the sum in question to a supposed niece, Emma Slack. This will was duly proved, and the probate lodged at the Bank of England. A woman named Sanders personated the supposed Emma Slack. The three thousand five hundred pounds was sold out, and the proceeds paid to her, together with the unclaimed dividends, amounting to about eleven hundred pounds. The conspirators had carried their plan through very cleverly, but they had overlooked one point. The will only professed to bequeath the reduced annuities, and consequently these only had been dealt with; but as the bank authorities knew that Ann Slack had also possessed a fund in consols, they, in accordance with their usual practice, placed "deceased" against her name in the title of that account. When an account is "dead"—that is, stands in the name of a deceased person—no addition can be made to it. Ann Slack, shortly afterwards, desiring to add more stock to this account, was informed to her astonishment, that she was dead. To prove that she was not so, she presented herself at the bank with ample proof of her identity. Fletcher and Barber were tried, and found guilty. The money was gone, but Ann Slack, notwithstanding, received her full due, the loss being borne by the Government.

The last great fraud by which the Bank of England has been a sufferer was that of Austin Bidwell and his accomplices. On the 18th of April, 1872, Austin Bidwell called upon a tailor named Green, in Savile Row, and under the assumed name of Warren, gave him a handsome order. On May 4 he paid Mr. Green another visit. He was then professedly on his way to Ireland, and, having about him a large sum of money, asked Green to take charge of it during his absence. Green hesitated to take the responsibility, but remarked that the branch Bank of England was in Burlington Gardens close by, and offered to introduce Warren there. This was done, and Warren opened an account by a deposit of twelve hundred pounds. He gave his name as "Frederick Albert Warren," and his address as *Golden Cross Hotel*. He paid in and drew out moneys to a considerable amount, and shortly after began to offer bills for discount. They bore the best of names, and were discounted without hesitation. On the 17th of June, 1873, a bill of Rothschild's for four thousand five hundred pounds was offered, and was discounted in due course.

Having thus gained, by transactions in genuine bills, the confidence of the bank authorities, the supposed Warren commenced operations of another kind. Bills came in thick and fast for discount, still bearing the same first-class names—Rothschild, Blydenstein, Suse, Sibeth, etc.; but they were now cleverly-executed forgeries. The bank continued to discount without suspicion. Naturally, however, it paid in its own notes, of which the numbers were recorded, and which when it was discovered that the bills were forged, would be difficult to realize. Bidwell, in order to dispose of these, and to diminish the chances of identification, opened an account in another name (Horton) at the Continental Bank. Here he paid in the notes received from the Bank of England, taking French and German money in exchange, Hills—under the name of Noyes—acting as his clerk. Sometimes, by way of variety, Hills changed notes into gold at the Bank of England itself, alleging that the coin was for export; but the gold so obtained was brought back again by Macdonnell, and exchanged for fresh notes, which, thus obtained, would have no obvious connection with the

original fraud. George Bidwell undertook what may be called the manufacturing department, namely, the preparation of the plates, and the printing of the bill-forms for the forgeries. By thus dividing their labors, and working each in a distinct department of the fraud, the gang hoped to evade discovery until they had made what they regarded as a sufficient haul, when they would doubtless have retired to foreign climes to enjoy the fruits of their labors. How much further they would have gone it is impossible to say, for they had already offered forged bills to the amount of £102,217 19s. 7d., when a happy oversight led to their detection. Two bills for one thousand pounds each, professedly accepted by Messrs. Blydenstein, and payable three months after "sight," were not "sighted"—that is, the date of acceptance was not inserted. A clerk of the bank was sent to Messrs. Blydenstein's to get the omission rectified, and was met by the startling information that the bills were forgeries. With some little trouble, the whole of the gang were arrested, and after a trial lasting eight days, were convicted, and sentenced to penal servitude.

The cases we have described afford unusually forcible illustration of the good old-fashioned maxim, that "Honesty is the best policy." If dishonesty were a paying game, it should be in the case of such men as these, with so much ability employed, playing for such heavy stakes, and with schemes so carefully planned. And yet, what must the life of such a schemer be? Fauntleroy, we are told, did for years *the work of three clerks*, in order to conceal his frauds. Fare as sumptuously, entertain as lavishly, as he may, the schemer must live with every nerve strained, in constant dread of detection, ever feeling the thief-taker's hand on his collar, the steel of the handcuffs upon his wrists. In most instances he does not derive even a transient benefit from his crime. Where there is a temporary success, as in the case of Fauntleroy, the proceeds of one forgery are perforce devoted to make good another, or the money gained by fraud is squandered in unprofitable speculations. And, sooner or later, the end is sure to come. The most watchful of men cannot be always on his guard. Some day a little slip is made, perhaps the mere omission of a date, as in Bidwell's case, or an incautious remark, as in that of Mathison, and then—the dock and a violent death, or, even under the present merciful *régime*, long years spent in the convict's garb, living on convicts' fare, and herding with the very dregs of humanity.—*Chambers' Journal*.

## HOW TO PREVENT FORGING.

*To the Editor of the BANKER'S MAGAZINE:*

As forgery depends upon something else than a plate well executed, I think we must look to something else for a detection; it can't be prevented, and all we can hope to do is detect it before it does any damage. Certainly no bank or company would cash a draft when they were not familiar with signatures, without good and sufficient indorsers. If we all used one draft, then it appears to me the forgery would become proportionally easy, for any steel plate can be duplicated, and there being no law against the making of such plates, the task for the forger would be lessened. I think nearly every banker of experience will acknowledge that a plain, simple draft, written in non-copying ink, is the safest way. Such

is Mr. Bolles' opinion, expressed in *Practical Banking*, and such is the practice of the oldest and most experienced banking institutions.

There is a far greater danger that few recognize, and that is, the use of copying ink in drawing drafts. Any draft drawn with copying ink can be transferred to another piece of paper in a very short time, and yet many banks use such ink in filling their drafts. When the ink is fresh, and the draft is not blotted immediately, the transfer can be made to look as plain as original; otherwise the transfer is paler, but the copy is perfect, and in the hands of an ordinary penman it can be gone over and made perfect.

I would call attention to the use of the violet ink; nearly as good impressions can be made with it, and at same time it can be erased from any ordinary paper, so that it is dangerous as a record ink.

G. W. VOIERS.

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## USURY BY NATIONAL BANKS.

### *Phillips Hill v. The National Bank of Barre.*

#### SUPREME COURT OF VERMONT.

The Federal statute provides the only remedy, and that by way of penalty, against a National bank, for the taking of usury; thus the plaintiff had brought a suit in the U. S. Court to recover the penalty prescribed by the said statute, and had obtained a judgment. *Held*, that he could not thereafter maintain an action of *assumpsit* in a State court to recover the excess above the legal interest paid to the bank.

The defendant bank is a National banking association and doing business at Barre. The plaintiff Hill, on the 14th day of April, 1882, brought suit against this defendant in the United States Circuit Court, within and for the District of Vermont, to recover the penalty prescribed by §§ 5197 and 5198 of the Revised Statutes of the United States, for the taking of interest by a National banking association at a greater rate than is allowed by the laws of the State where such association is located, and has recovered judgment in said suit for said penalty.

ROWELL, J., delivered the opinion of the court:

In *Farmers and Mechanics' National Bank v. Dearing*, 91 U. S. 29, the plaintiff, a National banking association, organized under the National Bank Act, and located and doing business in the State of New York, knowingly discounted the note in suit at a greater rate of interest than was allowed by the laws of the State, and the question was, whether that made the note void, as provided by the State statute. The Court of Appeals of New York, following its decision in *First National Bank of Whitehall v. Lamb*, 50 N. Y. 95, held that it did; but the Supreme Court of the United States reversed that judgment, and held that it did not, and said that banking associations organized under said act are instruments designed to be used to aid the Government in the administration of an important branch of the public service; that they are means appropriate to that end; that Congress was the sole judge of the necessity of their creation; that being such means, and created and intended to be employed for such purpose, the States can exercise no control over them, nor in any wise affect their operation, except in so far as Congress may see fit to permit; that in any view that can be taken of the thirteenth section of said act—§ 5198 U. S.

Rev. Sts.—the power to supplement it by State legislation is conferred neither expressly nor impliedly; and that when a statute creates a new offence and denounces the penalty, or gives a new right and provides the remedy, the punishment or the remedy can be only that prescribed by the statute.

After this decision, the Court of Appeals in *National Bank of Auburn v. Lewis*, 75 N. Y. 516. held that usurious interest could be removed by way of set-off or abatement in an action on the note usuriously discounted.

Then came *Barnet v. National Bank*, 98 U. S. 555, holding the contrary, and that the remedy, given by the National statute for the wrong of taking usurious interest, is a penal suit, to which the party aggrieved or his legal representative must resort; that redress can be had in no other mode or form of procedure; that as the statute giving the right prescribes the redress, both provisions are alike obligatory on the parties; that the mode of redress is by suit brought specially and exclusively for that purpose, in which the sole issue is the guilt or innocence of the accused, without the presence of any extraneous facts that might confuse the case and mislead the jury to the prejudice of either party.

On the announcement of this decision the Court of Appeals ordered a re-argument in *National Bank of Auburn v. Lewis*, and modified its former decision therein in conformity therewith, holding it to be controlling.

*Peterborough National Bank v. Childs*, 133 Mass. 248, is to the same effect as *National Bank of Auburn v. Lewis*.

Prior to the decision in *Barnet's* case, the Supreme Court of Pennsylvania had held the other way in *Lucas's* case, 28 P. F. Smith 228, and other cases; but after *Barnet's* case it held in conformity therewith in *National Bank v. Dushane*, 96 Pa. St. 340, treating all its former decisions to the contrary as overruled, and said that the defendant's only remedy was by a penal action for twice the illegal interest paid.

The case of *National Bank of Clarion v. Gruber*, 91 Pa. St. 377, is much in point. It was debt, brought on March 4, 1876, to recover twice the amount of all payments of illegal interest made to the bank within two years next before the commencement of the action, and also all excess above legal interest paid during the additional period of four years before the fourth of March, 1874. The plaintiff declared specially for double the interest, and added the common counts in debt on which to recover the excess. The defendant contended below that there could be no recovery for any moneys claimed in the action, except for the penalty; but the court ruled otherwise, and held that recovery could be had for the excess over the legal rate paid during the four years prior to March 4, 1874, as well as for twice the amount paid in excess within two years from the time of the commencement of the suit. The Supreme Court held this error, and said that from *Barnet's* case "it appears certain that neither by set-off nor original action can interest over legal rate, paid to a National bank, be recovered except by way of penalty, as prescribed by the act of Congress of June 3, 1864."

Plaintiff relies on this case as reported in 87 Pa. St. 465; but it is not authority for him. Two points only were there ruled—first, that under the thirtieth section of the Bank Act, the State courts have jurisdiction of an action to recover the penalty thereby imposed; and second, that in such action the common counts in debt

may be joined with special counts for the penalty. But it was not decided that recovery could be had, under the general counts, for the excess paid prior to two years before action brought, as the head note indicates, and when the case was again before the Supreme Court, and that point was ruled upon, it was ruled the other way, as we have seen.

Nor is *Dow v. Irasburgh National Bank*, 50 Vt. 112, authority for a recovery in this case. That was general *assumpsit*, and the only question in it was, whether the county court had jurisdiction of the action, and it was held that it had. Several other questions are suggested, and among them, whether the right of recovery would be limited to two years next before action brought, or would cover the whole period of our Statute of Limitations; but no opinion is indicated upon it.

There is no doubt about the correctness of that decision, so far as it holds that the State courts have jurisdiction of actions against National banks for taking illegal interest; but whether or not *assumpsit* is a proper remedy, we say nothing, for we hold, that the plaintiff has no rights in the premises, except those conferred on him by the Federal statute, and those have been fully realized and enforced by his suit in the circuit court.

Judgment affirmed.

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## LEGAL MISCELLANY.

PAYMENT—IN MONEY OR EQUIVALENT—ELECTION—RAILROAD BONDS—RECOVERY OF INTEREST—DEMAND.—(1) Where a promise is in the alternative, to pay in money or in some other medium of payment, the promisor has an election either to pay in money or the equivalent, and after the day of payment has elapsed without payment, the right of election on the part of the promisor is gone, and the promisee is entitled to payment in money. For various illustrations of the rule, see *McNitt v. Clark*, 7 Johns. 465; *Gilbert v. Danforth*, 6 N. Y. 585; *Stephens v. Howe*, 2 Jones & Sp. 133; *Stewart v. Donnelly*, 4 Yerg. 177; *Choice v. Moseley*, 1 Bailey 136; *Butcher v. Carlile*, 12 Grat. 520; *Church v. Feterow*, 2 Pen. & W. 301; *Trowbridge v. Holcomb*, 4 Ohio St. 38; *Perry v. Smith*, 22 Vt. 301; *Metzler v. Moore*, 1 Blackf. 342. (2) By the terms of bonds issued in 1875, by the Texas & Pacific Railroad Company, the company acknowledged itself to be indebted to the holder in the sum named therein, which it promised to pay to —, or assigns, at the office of the company in New York, on the first day of January, 1915, with interest thereon at seven per cent. per annum, payable annually on the first day of July of each year, as provided in the mortgage on the lands of the company, and upon the net income derived from operating its road east of Fort Worth, by which payment was secured. The bonds further provided that, in case such net earnings should not, in any one year, be sufficient to enable the company to pay seven per cent. interest on the outstanding bonds, then scrip might, at the option of the company, be issued for the interest, such scrip to be received at par and interest, the same as money, in payment for any of the company's lands, at the ordinary, schedule price, or it might be converted into capital stock of the company when presented in amounts of \$10 or its multiple. The mortgage was silent as to payment of



interest or principal, except that it authorized the trustees to sell the lands if default was made in the principal sum at maturity of the bonds, and apply the proceeds to satisfy the amount due. *Held*, that the mortgage did not qualify or control the absolute promise in the bonds to pay interest in money or in scrip; that the bondholders were entitled to payment of interest in money, if earned, or if it was not earned, to the scrip, on the day at which, by the terms of the bonds, the company was to pay the interest, or exercise its alternative; and that after that day had elapsed, without an election by the company, they were entitled to be paid in money, and could maintain an action to recover the same, although no presentment of the bonds or demand of payment had been made. There is no distinction in this respect between notes and negotiable bonds. *Savannah & M. R. Co. v. Lancaster*, 62 Ala. 555; *Philadelphia & B. R. Co. v. Johnson*, 54 Penn. St. 127. And the rule applies also to notes payable in specific articles. *Elkins v. Parkhurst*, 17 Vt. 105; *Wiley v. Shoeman*, 2 G. Greene (Iowa), 205. If the defendant had been prepared to deliver the scrip when the interest matured, it would have complied with its agreement, and been absolved from liability. The law does not usually require the doing of a vain thing, and after the defendant had announced that it could not pay the interest, and was not prepared to issue the scrip, it would have been a nugatory and perfunctory act on the part of the plaintiff, when he was entitled absolutely to his money, to make a formal presentment of his bonds and a formal demand of payment. [*Marlor v. Texas & Pac. R. Co.* Cir. Ct. S. D. of N. Y.]

NEGOTIABLE INSTRUMENT—CHECK—HOLDER CANNOT SUE BANK.—The holder of a check on a bank cannot sue the bank for refusal to pay it on presentation, though the drawer have sufficient on deposit to meet it. The question is very fairly discussed in 2 Dan. Neg. Inst., § 10, ¶ 1635; in *Morse Bank*. 459; and 2 Pars. N. & B. 61, 62. A few of the later cases which refer to others state the rule and the reasons for it, which in my judgment should be adopted in this State as governing this subject. *Bank of Republic v. Millard*, 10 Wall. 152, expressed the unanimous opinion of the Supreme Court of the United States. They say that on principle there can be no foundation or an action on the part of the holder of a check, unless there is a privity of contract between him and the bank, and asks how can there be such privity when the bank owes no duty and is under no obligation to the holder? Quoting from a leading case (*Chapman v. White*, 6 N. Y. 417), they further say that the right of the depositor is a chose in action, and his check does not transfer the debt or give a lien upon it to a third person without the assent of the depository. This is said to be a well-established principle of law, and sustained by the English and American authorities. In *Attorney-General v. Continental Life Ins. Co.*, 71 N. Y. 325, the entire court say that *Lunt v. Bank of North America*, 49 Barb. 221, declares the rule accurately, that checks drawn in the ordinary form, not describing any particular fund, or using any words of transfer of the whole, or any part of any account standing to the credit of the drawer, but containing only the usual request, are of the same legal effect as inland bills of exchange, and do not amount to an assignment of the funds of the drawer in the bank. This, they say, is the settled law of that State, as it has been repeatedly affirmed in that court. In *Etna Nat. Bank v. Fourth Nat. Bank*, 46 N. Y. 86. In Allen J., in giving the opinion of the court, says the cases all agree that notwithstanding the agreement which bankers make with their

customers to pay them checks to the amount standing to their credit, a check holder can take no benefit from this agreement, and that the check does not operate as a transfer or assignment of any part of the debt, or create a lien at law or in Equity. *Carr v. Nat. Security Bank*, 107 Mass. 45, after discussing the question, concludes that the bankers' promise to the drawee to honor his checks does not render them, while still liable to account with him for the amount of any check as part of his general balance, liable to an action of contract by the holder also unless they have made a direct promise to the latter by accepting the check when presented or otherwise. This view, they say, is in accordance with the law as in England, New York, and in Pennsylvania, with the opinions theretofore expressed by that court, and with the recent unanimous decision of the Supreme Court of the United States. *Bank of the Republic v. Millard*, *supra*. To the same effect is *Lloyd v. McCaffery*, 46 Penn. St. 410, 414; *Moses v. Franklin Bank*, 34 Md. 580. Two recent English cases have considered the right of a holder of a check against bankers. In *Hopkinson v. Foster*, L. R., 19 Eq. 74, Sir George Jessel, master of the rolls, says a check is clearly not an assignment of money in the hands of a banker; if it is a bill of exchange payable at a banker's. The banker is bound by his contract with a customer to honor the check when he has sufficient assets in his hands; if he does not fulfill his contract he is liable to an action by the drawer, in which heavy damages may be recovered if the drawer's credit has been injured. He also says: "I do not understand the expressions attributed to Mr. Justice Byles, 8. C. B. (N. S.) 372, but I am quite sure that learned Judge never meant to lay down that a banker who dishonors a check is liable to a suit in equity by the holder." See also *Schroeder v. Central Bank of London*, 34 L. T. (N. S.) 735. Sup. Ct. N. J., June Term, 1884. [*Creveling v. Bloomsbury Nat. Bank*, 46 New Jersey Law Ct. 255.]

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## ECONOMIC NOTES.

### "THE PINE TREE SHILLING."

The earliest American coinage was in Boston in 1652. The coins were of the value of 3 pence, 6 pence and 12 pence. They were of silver, rude and somewhat uneven in thickness, and irregularly circular, with no device legend or date, save the letters "N. E.," on the obverse, and the Roman numerals on the reverse side to signify the value in pence. None of the 3 penny pieces are believed to be in existence at present. These were soon followed by more elaborate coinage, and instead of the letters "N. E." on the obverse, there were a double circle of dots enclosing the word "Massachusetts," and within the inner circle a representation of an oak tree. Upon the reverse side the words "New England, Our Dam." They bore the date 1652, underneath which were the numerals expressing the value in pence. During the following year the oak was replaced by the pine tree, and for thirty years or more silver coins with the pine tree and the date 1652 were issued. The denomination most largely issued was the coin of the value of one shilling, hence the famous "pine tree shilling." It should be noticed that the inscriptions varied during that period as sentiment or caprice demanded.—*Dr. Charles Fisher.*

*SUSPENSION OF SPECIE PAYMENTS IN SOUTH AMERICA.*

The Argentine Republic, which has lately suspended specie payments, had \$19.94 in paper and \$8.15 in coin per inhabitant at the time of the last enumeration; but an unfavorable balance of trade has lately drawn largely upon the supply of coin. The circumstances attending the suspension of specie payments in the last-named country are particularly interesting at the present time. In the year 1880 the imports of the Argentine Republic amounted to \$44,000,000, and its exports to \$56,000,000; and in 1881, its imports were \$54,000,000, and its exports, \$56,000,000; leaving a favorable balance of \$14,000,000 for the two years. In June, 1883, the Republic resumed specie payments, but resumption continued barely 18 months, and looking again at the commercial statistics of the country it appears that the course of its foreign trade turned in a decidedly adverse direction in 1883, the imports rising to \$80,000,000 that year, and exceeding the exports by more than \$20,000,000. The action of an unfavorable foreign-trade balance in causing a suspension of specie payments has seldom been better illustrated than in this instance.—*Boston Com. Bulletin.*

*PUBLIC AND PRIVATE BANKING.*

The discussion of the relative merits of the private banks and the joint stock banks in London continues to attract great attention there. The London *Economist* says: "Private banking in this country has long been undergoing a process of gradual extinction, and its decline can hardly fail to be accelerated by the step which has now been taken by Messrs. Glyn, Mills, Currie & Co. The members of that firm have decided to register themselves as a joint-stock company, and when the largest and amongst the strongest and most trusted of our private banks has found it desirable to effect this change in its constitution, the probability is that the smaller private banks will feel themselves more than ever impelled in the same direction. The secrecy of the system of private banking is abandoned in favor of the publicity of the joint stock system. This is what is meant by the intimation that in future half-yearly balance sheets are to be published, and it is in this that the importance of the new departure lies. It is undoubtedly the secrecy in which the private banker has thought it right to shroud his affairs that has been mainly instrumental in preventing him from competing with his joint-stock rival. Other causes have, of course, worked to the same end, but this is certainly the chief, and it is easy to understand why it should have so operated. The tendency of late years, moreover, has been to render more detailed accounts than formerly, and to have those more effectually audited. Thus, in the case of the joint-stock banks, the public have some amount of definite and well-authenticated information to go upon, whereas in dealing with the private banks they have to take everything on trust. We are very far indeed from saying that their trust is misplaced. On the contrary there are many of our private banks who, if their positions were disclosed, would compare very favorably in point of strength, although not in the magnitude of their business, with the best of their joint-stock competitors. These are the days of publicity, and the banks who shun publicity cannot hope to compete effectually with those who place themselves in its light." The London *Times'* financial editor says: "It is generally admitted that private banks, as at present constituted, must gradually disappear, but that is no reason why they should not try to retain the advantages as well as to remedy the disadvantages of their peculiar constitution."

## HOARDING GOLD.

One of the gravest features connected with the silver question is the possibility of a speculative movement for quoting gold at a premium. Should this occur, hoarding of this coin would take place as it has at former times when gold appreciated in relative value. Immediately previous to the resumption of specie payments, January 1, 1879, the total amount of coin held by the National banks of the United States was about \$30,000,000, and in little more than a year thereafter the holdings had increased to over \$100,000,000. In the early part of 1879 the total amount of gold in the United States, as estimated by the Director of the Mint, was \$286,490,000, and within four months thereafter the estimate of the same authority raised the amount to \$355,681,500. Since the resumption of specie payments the total of gold coin and bullion in the United States has increased from an estimated amount of \$250,000,000 to over \$600,000,000. Since 1880 the official estimates have increased the total sum about 50 per cent. Now this increase is not wholly accounted for by the imports of specie or domestic production of gold. It is quite certain that no inconsiderable amount of this coin was enticed from hiding places by the removal of the premium and the renewed confidence that specie payments in gold had returned as a permanent condition. A premium of even one per cent., could it be induced, would lead at once to the withdrawal of a large amount of gold from circulation to be hid away in secret places. Those speculatively inclined would hold it for an advance in premium, and the timid would take an alarm and hide it from view. This result should be avoided if possible.—*New York Stockholder*.

## DRAWING DRAFTS ON THE FUTURE.

A man in China endowed with much forethought can make some provisions for his own future comfort. The priests have considerably organized a bank for the spirit world. To this the provident may remit large sums during their lifetime, and can draw on the bank as soon as they reach the dark country. The priests periodically announce their intention of remitting money on a certain day, and invite all who have any to deposit to bring it. All who feel doubtful of the generosity of their next heirs accordingly come and buy from the priests as much as they can afford of the tinfoil paper money which is current among the spirits. It is an excellent investment, as for a handful of brass cash, altogether worth about one penny, they will receive sycee, *i. e.*, the boat-shaped blocks of silvery looking tinfoil, bearing a spiritual value of about \$30. Paper houses, furniture, and clothes may in like manner be purchased and stored beforehand in the happy security that neither moth nor rust shall corrupt them; neither shall thieves break through and steal. When the depositor (probably a poor coolie or an aged beggar) has invested his little savings in this precious rubbish in the ecclesiastical bazaar he delivers it to the priest, together with a sum of real money as commission. For this the priest gives a written receipt. All this din is thrown into a large boat. It is a framework of reeds with bamboo mast, and its sails and planking are of paper. When all the depositors have made their payments, the priests walk several times round the boat, chanting some incantation, then simultaneously set fire to both ends, and the paper fabric vanishes in a flash of flame. The priests bid the depositors keep their certificates with all care, and give them to some trustworthy person to burn after their disease, whereupon the said certificates will reach them safely in the dark world, and they can draw their money as required. All this seems to be implicitly believed by a whole great

nation, who in all other respects are probably the most astute business race in the world. Such is the strange power of a groveling superstition!—*The British Quarterly Review*.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

### I. CHECK PAYABLE TO A FICTITIOUS PAYEE OR ORDER.

A presents a note to B, signed by F and indorsed by X, for discount, representing that he is getting the discount for X. B draws a check on the bank, payable to X or order, for the proceeds, and hands it to A. A presents the check to the bank, indorsed by X in blank; A is identified by a responsible person as being all right, indorses the check, and receives the cash. It is now shown that F's signature on the note was a forgery, and that X is a *fictitious person*. B brings suit against bank to recover amount of check. Who should gain the suit?

REPLY.—It is well settled that a note or bill *knowingly* made payable to a fictitious payee, may, in the hands of a *bona-fide* holder for value, be treated as though payable to bearer, and recovered upon as such. See Daniel on Negotiable Instruments, § 136, *et seq.* And Morse says, in his work on Banking, 2 ed. p. 377: "When a check is paid by a bank, in due course of business and in actual cash, it cannot be doubted that the bank is the holder of the check for value, with all the rights customarily appurtenant to the holders of mercantile paper under the like circumstances." The difficulty in this case, however, is that it must be taken that B did not know that X was a fictitious person, and made the check payable to X or order, supposing that X was a real person. The question, therefore, is whether this check can be treated as payable to bearer, notwithstanding B's ignorance that there was no such person as X in existence, and notwithstanding his intention to make it payable to X or order, supposing him to be a real person. Otherwise the check is obviously a mere nullity, and did not authorize any payment by the bank. Upon the authorities, the answer to this question is doubtful, and we know of no case which decides in terms that a check drawn payable to a fictitious payee can be treated as payable to bearer, unless the drawer knew at the time of drawing the check that the payee was fictitious. There is a dictum in the opinion of Judge Dillon, in the case of *Lane v. Krekle*, 22 Iowa 403, under which the position of the bank may possibly be sustained. That was the case of a note payable to a fictitious payee or bearer, and obtained under circumstances very similar to those of this case. The judge says: "Upon reason and principle we are clear that if the plaintiff is a *bona-fide* holder for value, and without notice, the fact that the note is made payable to a fictitious person is no defence. In such case the defendant would be estopped as against the plaintiff from setting up the fact. It was the defendant who made the note. By making it payable as he did, he affirmed the existence of such a person as the payee therein named, and he should not, against a person ignorant of that fact, one who may reasonably be presumed to have acted upon the faith of the fact thus represented, be allowed to assert the contrary. . . . In respect to such a holder, the maker is bound to know that the payee is a real person, or thereafter hold

his peace." And cites *Phillips v. Im Thurn* 18 C. B., N. S. 694, and many other cases. This view has also the approval of Mr. Daniel.

We think, however, that upon strict principles and the weight of the authorities, the check must be treated as a mere nullity, and that the bank was not justified in paying it. (See the discussion in Daniel at the place above cited.) As said by the Supreme Court of Ohio, in *Dodge v. Nat. Exchange Bank*, 20 Ohio St. 234: "The undertaking of the banker with his customers is to pay their checks or bills according to the law merchant. A check or bill, payable to order, is authority to the banker only to pay it to the payee, or to any person who becomes holder by a genuine indorsement. If there be a genuine indorsement in blank, it is authority thereafter to pay to any person who seems to be the holder. The banker can charge his customer with no payments save those made as afore-described, unless there be circumstances which amount to a direction from the customer to the banker to pay without reference to the genuineness of the indorsement, or circumstances equivalent to a subsequent admission by the customer of the genuineness of the indorsement, in reliance upon which the banker has been induced so to alter his position as to preclude the customer from showing the indorsement to be forged." There is no question that the indorsement upon this check, purporting to be the indorsement of X, was a forgery. There are no circumstances amounting to direction from B to the bank to pay without reference to the genuineness of the indorsement; and we do not see any reason why he should be estopped from showing that X was a fictitious person and the indorsement a forgery, for he really made no representations about either. We think that the bank was bound, at its peril, to satisfy itself of the genuineness of the indorsement, and if it was content to rely upon A after he had been identified by a responsible person, and make no further inquiry, it must look to A, and not its customer, to make it whole in respect of the amount so paid.

## II. MONEY ORDERS ISSUED BY THE AMERICAN EXPRESS COMPANY.

REPLY.—The American Express Company issues its "money order" in the well-known form of a *receipt*—not a draft, or acceptance, or order, though called such. It is simply a receipt for money "to be paid on presentation of this order, as per conditions below and indorsements on back hereof." One of the "conditions" is that the "order can be deposited in bank, and remitted by bankers as exchange payable in New York and 5,000 other cities, &c.," but it contains no promise to pay, no acceptance, nor an agreement to pay at any specified place.

There are three forms for indorsement (1, 2 and 3), No. 3 being "Pay to the order of" (payee's name, with city or town named), but whether the place indicates the residence of payee or place of payment is not clear. An ingeniously-drawn form for exchange, at least. The inquiry is: If a bank takes one of these orders, necessarily *received*—not indorsed—by the payee, and presents it at the company's office in the place designated after the payee's name, and the company there refuses to pay, for want of funds, what should be done with it? Can the payee who drew the money from the bank be held as *an indorser*? Can the order be protested, having already been receipted by the payee; or can it be forwarded to New York, or any of the "5,000 other places" and collected? Your solution will oblige some holders of these money-receipts.

REPLY.—This form of "money order," so called, is, in effect, an acknowledgment of the receipt of a sum of money by the company, accompanied with

a promise to repay it on presentation of the order, according to the terms of the indorsement put upon the order by the party depositing the money, who is called the "remitter." So far, it may perhaps be said that the order is within the definition of a promissory note. But the promise to pay is coupled with various conditions contained upon the face of the "order," and whatever may be the proper construction of the "order" in other respects, we think it clear that the effect of these conditions is to deprive it of the negotiable character belonging to a promissory note. The "order," therefore, is a promise by the company to pay a sum of money to the payee named by the depositor or "remitter," and the receipt, written upon the back of the order by the payee, is nothing more than a receipt; first, because it is intended for nothing more, and, secondly, because a person does not incur the responsibility of an indorser, by merely writing his name upon the back of a paper containing a promise to pay money, unless the paper indorsed contains one of the negotiable instruments known to the law, like a promissory note, a check, or a bill of exchange. The "order," therefore, is not subject to protest. If the company refuses to pay it on presentation, the bank which has cashed it can, of course, require the party for whom it has cashed it to refund the money; or, failing in that, it can sue the company in any jurisdiction where it may be found.

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## BOOK NOTICES.

*Decisions of the First Comptroller in the Department of the Treasury of the United States.* By WILLIAM LAWRENCE, First Comptroller. Five volumes. Washington: 1884.

The decisions in the above volumes relate to a great variety of subjects and are of permanent value. They are the outcome of laborious study, but we fear that their merit will be recognized by only a few. Thousands of legal cases have been examined in the preparation of these decisions. In looking over them we have been impressed with the imperfection of our political system, whereby an officer of the highest order of qualifications for his position, like Judge Lawrence, should be displaced, because, forsooth, he does not happen to belong to the dominant political party. Suppose all the judges of the State and federal courts were displaced whenever there was a change of party power, how long before the judicial system would be wrecked? Yet the duties of the first Comptroller of the Treasury are both judicial and administrative, and therefore more difficult to perform than those merely of a judge. A good lawyer may possess the requisite qualifications for the judicial office, but he would be entirely unacquainted with the administrative functions of the office of first Comptroller. Yet Judge Lawrence must resign for the benefit of another, and the same thing has happened many times before. Such changes are to be regretted, because they mean less efficient public service. Any person casually looking over or studying the carefully prepared opinions in these volumes must feel the force of our remarks. In another number we shall have something more to say on this subject.

*Boots and Saddles ; or Life in Dakota with General Custer.* By MRS. ELIZABETH B CUSTER. New York : Harper & Brothers.

The hero whose life is depicted in this volume fell on the frontier in Indian warfare. Mrs. Custer was devoted to her husband, accompanied him everywhere except to the battle-field, and has told the story of his life in an unreserved manner—conclusive proof of her admiration and affection. Another has said of General Custer that he “seems to have been truly a man of perfect simplicity and nobility of character, a man whose impulses were toward the right, whose strength to follow the lead of such impulses was great, and whose mind was most earnestly given to the conscientious discharge of every duty, to the daily and hourly cultivation of the good that was in his character, and to the suppression and eradication of whatever he deemed weak or unworthy.” Surely such a character is well worthy of a biography, even if his noble deeds in defence of the Union were fewer. We never can be too grateful to Gen. Custer, and those like him, who were so zealously devoted to the public service.

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*The Banking Almanac Directory, Year Book and Diary for 1885, being the forty-first year of publication.* Edited by R. H. INGLIS PALGRAVE, F. R. S. London : Waterlow & Sons.

No better proof of the usefulness of such a publication could be given than the long length of life it has attained. Beside the calendar and official directory, the volume contains the constitution and officers of the Association of English Country Bankers, new banks and branches opened, alterations in the banking business, list of banks in liquidation, banks in London, list of banks in the United Kingdom, the British colonies and foreign countries, fluctuations in the bank rate, value of principal coins in the world, Clearing-house returns, constitution of the London Institute of Bankers, analysis of the transactions of the Bank of England, 1844-83, and many other matters. The almanac is prepared with great care, which is of the utmost importance to render a work of this kind of any value.

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*The History of the Present Tariff, 1860-1883.* By F. W. TAUSSIG, Ph. D., Instructor in Political Economy in Harvard University. New York and London : G. P. Putnam's Sons. 1885.

In this little volume of a hundred pages, the author has given an account of the growth of the American protective system. He has himself stated in the preface of the book the nature of it. “It is concerned chiefly with the obvious facts in the history of tariff legislation, and does not touch directly the more important, but less easy questions as to the economic effect of that legislation. It endeavors to state the circumstances under which the various tariff acts were passed, the causes which made their enactment possible, and the changes of duty which they brought about.” These facts, he says, are little known to those who have grown to manhood since the time when the existing protective system was established. While considering “the principle of protection to be radically unsound,” Mr. Taussig says that he has studiously tried to prevent his opinions from distorting in any way the narrative. The book is a popular presentation of the subject and is well written. The author has given only an outline of the facts, and it seems to us has omitted some of the most important of them, but he evidently has sought to be candid in his treatment of the subject.



*The Statesman's Year-Book. Statistical and Historical Annual of the States of the Civilized World for the Year 1885.* By J. SCOTT KELTIE. Twenty-second annual publication. London: Macmillan & Co. 1885.

The great value of this well-known publication is generally acknowledged. No other book fills the same place; it is unequaled in the variety and accuracy of its information. The long experience acquired in conducting the enterprise has enabled those who are interested in it to find out what is wanted, and to give it. The present volume has been somewhat increased in size, more space has been given especially to Egypt, Italy and Russia, and information pertaining to all the countries of the world has been collected to a recent date.

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*The Laws of the State of New York relating to Banks, Banking and Trust Companies and Companies Receiving Money on Deposit, also the National Bank Act and Cognate United States Statutes with Amendments and Annotations.* By WILLIS S. PAINE. Albany: Weed, Parsons and Company, Law Publishers, 1885.

This book is intended for bankers as well as lawyers. The work begins with an historical sketch of banking in the State. The first incorporated banking institution was the Bank of New York in 1791, though it had been carrying on a banking business with a capital of half a million for more than seven years. The fact is an interesting one to note, that the State Government had been in operation nearly fourteen years before any one of the banking companies doing business in it was incorporated. The Bank of Albany was chartered in 1792, and a year afterward the Bank of Columbia. The latter was located at Hudson, "where it was proposed to open a foreign trade and to establish the whale fishery business by a company from Rhode Island." The author says that the bank charters previous to 1825 were derived from those which gave birth to the Bank of England and the Bank of the United States. As these did not define nor specify the banking powers granted, it became necessary by prohibitory clauses to limit the powers of the New York banking institutions. He says that in all the public enactments extending from 1694 to 1825, unequivocal declarations by the English Parliament, by Congress, and by successive legislators of this State, that trading in anything except bullion, foreign coins and bills of exchange, is not banking, and that the power to traffic stocks or merchandise is not "either necessary or expedient to accomplish the purpose for which banks are instituted." The "safety fund" system is described, and the general banking act of 1838, but nothing is said concerning the letter of the Rev. Dr. McVicker to a member of the Albany Legislature, in which he clearly stated the leading features embodied in that law. The latter part of this historical sketch is devoted to savings institutions and trust companies. Then follow the revised statutes relating to banks, banking and trust companies, and others that receive money on deposit, accompanied with explanations, and a setting forth of the cases that bear on the interpretation of the statutes. The author also includes the laws relating to safe deposit companies, building, mutual loan and accumulating fund associations, the statutes and constitutional provisions that relate to corporations so far as they apply especially to banks, while the latter portion of the work is devoted to the National bank act and its judicial interpretation, the duties of the Comptroller of the Currency, and other matters of a cognate nature. We are sure that the work will prove useful to bankers, and it ought to find its way speedily into every bank in the State.

## BANKING AND FINANCIAL ITEMS.

COMPTROLLER OF THE CURRENCY.—A careful reading of the law relating to the office of the Comptroller of the Currency has disappointed more than one aspirant. The position is now held by Mr. Cannon of Minnesota, and, if Mr. Cleveland's words mean anything, Mr. Cannon will continue to hold office until May 1889. Chapter 1 Section 2, of the National bank act reads: "The Comptroller of the Currency shall be appointed by the President, on the recommendation of the Secretary of the Treasury, by and with the advice and consent of the Senate, and shall hold his office for the term of five years, unless sooner removed by the President upon reasons to be communicated by him to the Senate, and he shall be entitled to a salary of \$5,000 a year." The act creating the office of Director of the Mint is worded in the same manner. It was the intention of the framers of the act to remove these offices as far from politics as possible, and it is believed that the present incumbents of the offices will be allowed to fill out their terms.

BOSTON.—The Emigrant Savings Bank, after closing up its affairs and paying 99½ per cent. on deposits, has about \$200,000 in the names of some 500 depositors who have never appeared to claim their money. The officers are desirous of turning this money over to the State Treasurer in the same manner as such balances are turned over in the case of banks whose affairs are wound up by receivers.

The Massachusetts National Bank, which has recently removed to No. 95 Milk Street, is the favorite financial agency of the Chinese in Boston and its vicinity, whose business is much more than would be suspected from their numbers and humble nature of their calling. The Massachusetts Bank draws upon and makes telegraphic transfers on Hong Kong, China, the Hawaiian Islands, the City of Mexico and various points in California and Arizona.

An important decision was rendered by Judge Colt in the United States Circuit Court in the suits against the stockholders of the defunct Pacific National Bank. Judge Colt decides that the stockholders must pay the second assessment of 100 per cent. on their stock levied by Comptroller Knox some time since. The net loss to the stockholders of the bank by this decision will reach nearly \$2,000,000.

VERMONT.—A sensation has been created at St. Albans, Vt., by the attachment and sequestration of the real estate of Edward A. Sowles, Albert Sowles, Bennett C. Hall, George W. Foster, of St. Albans, and of Oscar A. Burton, of Burlington, officers and directors of the defunct First National Bank, of St. Albans, by United States Marshal Henry, on a suit in equity brought by Receiver Roberts for the sum of \$200,000. The defendants are charged in the bill with mismanagement in the affairs of the bank, with making falsified returns to deceive the National Bank Examiner, and with violation of the National Banking laws in several other particulars. Receiver Roberts recites in his bill in equity that the bank has sustained losses by the mismanagement of the officers and directors exceeding \$200,000.

THE KNICKERBOCKER TRUST COMPANY has recently been designated by the Supreme Court of the State of New York as a legal depository for funds coming under the control of that tribunal. In making the appointment the Supreme Court Judges say, in very complimentary terms, "that the said Trust Company by the investment of its capital, by the excellent management which prevails in the various departments of the company, and by the conservatism which characterizes all its acts, is entitled to be, and should be, made by this court a deposit bank within the meaning and under the provision of Rule 68 of the General Rules of Practice."

**THE TRADE DOLLAR.**—Superintendent Snowden, of the United States Mint in Philadelphia, states that he has received over 50,000 trade dollars since March 4, and that letters from holders of the coin in various parts of the country are pouring in upon him. This is believed to show that the people have lost all hope of securing legislation on the subject from Congress, and that they have determined to make the best of the reduction and sell the coins. The price of standard silver at present is 96 cents an ounce, and at that rate the trade dollars are worth 84 cents. This is the price paid for them at the mint. A prominent Third Street banking house sent 10,000 of the coins to the mint yesterday and informed Colonel Snowden that they had several thousand more in their vaults. A New York banking house is said to have \$60,000 of these coins stored away. They will probably be sent to the mint to be melted.

**CASHING MONEY ORDERS.**—A new system, it is expected, is soon to be inaugurated by co-operation of the Post Office Department, in Boston, and the National banks, whereby a great saving of time and labor is certain to result. The plan is to have the National banks, which, under the present system, have to present at the money-order department at the post office, for redemption, all money orders and postal notes received by them, present the same to the Clearing-house and have them cashed. The Clearing-house itself, however, will not be the responsible agency, but will act for the Boston National Bank, which will be the redeeming institution. Thus, instead of the different banks sending messengers to the money-order department with the paper received in the course of the day's transactions, they will send them to the Clearing-house. The Boston National Bank will then draw a check on the money-order department for the whole amount, and the confusion attendant upon so many bank messengers waiting to have their paper cashed will be avoided. Inspector Metcalf of the Post Office Department has come on to Boston from Washington to further the interest of this plan; and it is reasonably certain that it will soon be consummated. The system is now working in many Western cities, and is giving entire satisfaction. The saving of time to both the public, the banks and the money-order department will be very apparent under the new system.

**REGULATION OF CONTRACTS FOR TRADING IN STOCKS.**—Senator Vedder's bill has been reported favorably by the Judiciary Committee of the New York Legislature, though it probably will not become a law. It provides that it shall be the duty of every person, partnership and corporation making any contract for the sale of any shares of the capital stock of any corporation, or of any property, delivery whereof is to be made by delivery of written or printed, or partly written and partly printed, certificates, receipts, acceptances, or other evidences of title to or liability for, the delivery of the property therein specified, made or issued by the person, partnership, or corporation having the custody, possession or control of such property, to deliver at the time, or during the day of the making of such contract, such certificates of shares, etc., or other evidences of title to or liability for the delivery of the property therein specified, or furnish the buyer with the serial numbers and dates of such certificates of shares, receipts, acceptances, or other evidences of title to or liability for the delivery of the property therein specified, respecting which such contract of sale is made, and which are to be delivered in fulfillment of such contract. If no time is specified in such contract for the delivery of the thing sold, the time for making such delivery, or for furnishing the serial numbers and dates, is to be at the time, or during the day of the making of the contract; provided that, if by the terms of any written or printed, or partly written and partly printed, contract of sale, delivery of the things sold, and respecting which such contract is made, is fixed for some future time, the time for making delivery of the same, or furnishing the buyer with the numbers and dates as aforesaid, shall be at the maturity of the contract, but not later. Neither party to any contract of sale falling within the provisions of this Act is to have power to waive any of its provisions.

**A NEW YORK BANK FORGER ARRESTED IN MISSOURI.**—Egbert M. Carver, President of the De Soto City Bank, was arrested on the 11th of March on a requisition from the Governor of New York. Carver is wanted in Cooperstown, N. Y., for a series of forgeries committed in Otsego County in 1878. He was at that time cashier of the First National Bank of Oneonta, N. Y. Banks at Walton and Umadilla were also victimized to the amount of \$30,000. After Carver's flight he was heard of at Hicksville, Ohio, where he started a bank; but just as the authorities were about to take him into custody he disappeared. He next opened a bank in Garratt, Ind., but before the institution was fairly on its feet he disappeared. He then went to Cincinnati and married and went to St. Louis. From there he came to De Soto and started the City Bank; capital, \$10,000. The De Soto people, among whom he was very popular, tried all legal means to get him away from the Sheriff, and then threatened to forcibly take him away. A large delegation followed him on the train to St. Louis, many of them being depositors. It is not known what the condition of the bank is, but the people believe that it is solvent. The party left St. Louis the same evening for the East. The bank will go into a receiver's hands.

**VAST OIL SPECULATIONS.**—Statistics have been published showing the remarkable growth of speculative oil trade during the past few years. During 1884 transactions on the Oil City, Bradford, Pittsburg, and New York Exchanges alone aggregated 11,304,879,000 barrels, which, at the average price of oil for the year, represented a value of \$9,496,098,360. The production of oil in 1884, possible to be put into certificates that could be dealt in on exchanges, amounted to 20,400,219 barrels. The average daily runs for the year were 68,000 barrels, and the average daily transactions on the exchanges 37,682,930 barrels, so that the daily production of oil was turned over 554 times in the five hours which exchanges are open daily. From this it appears that the average hourly transactions were 7,536,586 barrels. The average transactions per minute were 125,726 barrels, and per second, 2,095 barrels. The transactions daily exceed the number of certificates by 19,682,930 barrels. The brokerage on these transactions and the carrying charges amounted to about \$16,000,000. The daily production of the oil region was sold once every thirty-two seconds of the time the exchanges were open in 1884.

**EXTRADITION TREATY—GREAT BRITAIN.**—The draft of the proposed extradition treaty between Great Britain and the United States, which was submitted for the approval of the Canadian Government a short time ago, is likely to fully meet the requirements for the handing over of criminals between Canada and the United States. The new treaty, in its list of extraditable offences, includes murder, embracing assassination, parricide, infanticide, and poisoning or attempting to murder; manslaughter; counterfeiting or altering money or issuing counterfeit or altered money; forgery, counterfeiting or altering or issuing forged, counterfeit, or altered money, embezzlement or larceny; obtaining money or goods under false pretences; crimes by bankrupts against bankruptcy laws; fraud by bailee, banker, agent, factor, or director or member or public officer of any company made criminal by any law for the time being in force; rape; abduction, child stealing; burglary or house breaking; arson; robbery with violence, including intimidation; threats by letter or otherwise with intent to extort; piracy by law of nations; sinking or destroying a vessel at sea or attempting or conspiring to do so; assaults on board a ship on the high seas with intent to destroy or do grievous bodily harm; revolt or conspiracy to revolt by two or more persons on board a ship on the high seas against the authority of the master. It is the desire of the Dominion Government to have the application and scope of the new treaty extended to its utmost limit, that every inducement the present treaty holds out to commit crime by people of both the United States and Canada may as far as possible be removed.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from March No. page 708.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
ARK....	Little Rock....	German National Bank..	Imp. & Traders' National Bank.
	\$ 200,000	John G. Fletcher, <i>Pr.</i>	Creed T. Walker, <i>Cas.</i>
CAL....	Fresno .....	First National Bank.....	First National Bank.
	\$ 100,000	J. H. Braly, <i>Pr.</i>	L. A. Blasingame, <i>Cas.</i>
DAK....	Aberdeen.....	Aberdeen National Bank.	Continental National Bank.
	\$ 50,000	John T. McChesney, <i>Pr.</i>	.....
" ..	Watertown ....	Sioux Valley, L. & T. Co.	.....
	\$ 15,000	Frank S. Waters, <i>Pr.</i>	I. F. West, <i>Cas.</i>
FLA....	Jacksonville....	N. B. of State of Fla.....	Imp. & Traders' National Bank.
	\$ 100,000	Daniel G. Ambler, <i>Pr.</i>	John N. C. Stockton, <i>Cas.</i>
ILL....	Earlville.....	First National Bank.....	National Park Bank.
	\$ 50,000	Wm. R. Haight, <i>Pr.</i>	Chas. Hoss, <i>Cas.</i>
" ..	Peoria .....	William Oberhauser.....	Chase National Bank.
" ..	Walnut.....	Kessler, Ross & Co.....	.....
IND....	Kokomo.....	Russell, Dolman & Co.....	First National Bank.
IOWA ..	Olin.....	B'k of Olin (E.E. Snyder.)	National City Bank.
" ..	Sibley .....	First National Bank.....	Kountze Bros.
	\$ 50,000	Chas. E. Brown, <i>Pr.</i>	H. L. Emmert, <i>Cas.</i>
KANSAS.	Beloit.....	Campbell Bros.....	Kountze Bros.
" ..	Coffeyville....	First National Bank.....	First National Bank
	\$ 50,000	Thos. G. Ayres, <i>Pr.</i>	Thos. Scurr, Jr., <i>Cas.</i>
" ..	McPherson ....	Citizens' Bank.....	American Exch. National Bank.
	\$ 50,000	Wm. J. Bell, <i>Pr.</i>	A. L. McWhirk, <i>Cas.</i>
" ..	Osborne .....	First National Bank.....	Bank of North America.
	\$ 50,000	W. H. Burke, <i>Pr.</i>	W. F. Earls, <i>Cas.</i>
" ..	Wellsville.....	Wellsville Bank.....	Gilman, Son & Co.
		John Dean, <i>Pr.</i>	E. E. Gaddis, <i>Cas.</i>
" ..	Yates Center...	Yates Center Bank.....	(Dickerson & Opdyke.)
KY....	Danville.....	Boyle National Bank.....	United States National Bank.
	\$ 200,000	Robert P. Jacobs, <i>Pr.</i>	John W. Proctor, <i>Cas.</i>
MICH...	Albion.....	First National Bank.....	Chemical National Bank.
	\$ 50,000	Sam'l V. Irwin, <i>Pr.</i>	H. M. Dearing, <i>Cas.</i>
" ..	Battle Creek...	Nat'l B'k of Battle Creek.	Central National Bank.
	\$ 150,000	V. P. Collier, <i>Pr.</i>	Scott Field, <i>Cas.</i>
" ..	Grand Rapids..	Kent Co. Savings Bank..	Ninth National Bank.
	\$ 50,000	Jos. Heald, <i>Pr.</i>	J. A. S. Verdier, <i>Cas.</i>
" ..	Mt Pleasant....	Commercial Bank.....	Imp. & Traders' National Bank.
		A. W. Wright, <i>Pr.</i>	J. A. Harris, <i>Cas.</i>
" ..	Traverse City..	First National Bank.....	.....
	\$ 50,000	John C. Lewis, <i>Pr.</i>	C. A. Hammond, <i>Cas.</i>
MO....	Kansas City....	Lombard Bros. B'king Co.	.....
" ..	Paris.....	National Bank of Paris...	National Park Bank.
	\$ 100,000	David H. Moss, <i>Pr.</i>	John S. Conyers, <i>Cas.</i>
NEB....	McCook .....	McCook Banking Co.....	Hanover National Bank.
	\$ 50,000	Geo. Hocknell, <i>Pr.</i>	H. K. Adams, <i>Cas.</i>
" ..	Chester.....	Bank of Chester.....	United States National Bank.
		C. E. White, <i>Pr.</i>	O. H. Brainerd, <i>Cas.</i>
N. Mex.	Santa Fe.....	Sante Fe National Bank..	.....
	\$ 100,000	L. B. Prince, <i>Pr.</i>	W. V. Hayt, <i>Cas.</i>
N. Y....	Gloversville....	Fulton Co. National B'k..	Fourth National Bank.
	\$ 150,000	John McNab, <i>Pr.</i>	W. D. West, <i>Cas.</i>
" ..	Kingston.....	E. B. Newkirk.....	.....
" ..	Salem.....	First National Bank.....	Ninth National Bank.
	\$ 100,000	Benj. F. Bancroft, <i>Pr.</i>	M. L. Sheldon, <i>Cas.</i>
OHIO...	Steubenville....	Steubenville Nat'l Bank..	Bank of America.
	\$ 125,000	R. L. Brownlee, <i>Pr.</i>	Chas. Gallagher, <i>Cas.</i>
" ..	Tiffin.....	Tiffin National Bank.....	American Exchange Nat'l Bank.
	\$ 125,000	John D. Loomis, <i>Pr.</i>	J. W. Chamberlin, <i>Cas.</i>

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>N. Y. Correspondent and Cashier.</i>
OREGON	Island City.....	First National Bank.....	.....
		\$50,000 Chas. Goodnough, <i>Actg.</i>	D. W. Lichtenthaler, <i>Cas.</i>
TEX....	Sulphur Springs	Dabbs Bros.....	Hanover National Bank.
" ..	Wichita Falls...	Exchange Bank.....	Kountze Bros.
		\$50,000 J. N. Israel, <i>Pr</i> .....	G. A. Archibald, <i>Cas.</i>
VT.....	Rutland.....	Merchants' Nat'l Bank...	First National Bank.
		\$100,000 John N. Baxter, <i>Pr</i> .....	C. W. Mussey, <i>Cas.</i>
WIS....	Bloomer.....	Commercial Bank.....	John D. Devor, <i>Cas.</i>

## CHANGES, DISSOLUTIONS, ETC.

(Monthly List, continued from March No., page 713.)

ARK....	Little Rock....	German Bank; now German National Bank.
CAL....	Riverside.....	Riverside Bank (Dyers Bros.); now Riverside Bkg. Co.
DAK....	Aberdeen.....	Brown County Bank; now Aberdeen National Bank.
" ..	Grand Forks...	Stone & Ferris; closed.
" ..	Howard.....	Bank of Howard; now Kendal Banking Co.
FLA....	Jacksonville...	Ambler, Marvin & Stockton; now N. B. of the State of Fla.
ILL....	Chicago.....	Preston, Kean & Co.; now S. A. Kean & Co.
" ..	Jerseyville....	Carlin & Bagley; now M. E. Bagley.
" ..	Walnut.....	First National Bank; succeeded by Kessler, Ross & Co.
IND....	Alexandria....	Alexandria Banking Co.; closed.
" ..	Kokomo.....	First National Bank; succeeded by Russell, Dolman & Co.
IOWA...	Dyersville....	Farmers' Bank (Utt Bros.); now John B. Utt & Co., proprietors.
" ..	Sibley.....	Osceola County Bank; now First National Bank.
" ..	Winfield.....	B'k of Winfield (Penn, Clark & Co.); discontinued business.
KAN....	Beloit.....	E. E. Hart & Co.; now Campbell Bros.
" ..	Coffeyville....	T. G. Ayres & Co.; succeeded by First National Bank.
" ..	Hillsboro.....	Farmers' Bank (Isaac Good); discontinued business.
" ..	Osborne.....	Osborne County Bank; now First National Bank.
KY.....	Danville.....	Central National Bank; now Boyle National Bank.
LA.....	Lafayette.....	M. P. Young & Co.; discontinued business.
MICH...	Albion.....	National Exchange Bank; succeeded by First Nat'l Bank.
" ..	Battle Creek...	First National B'k; succeeded by Nat'l B'k of Battle Creek.
" ..	Mt. Pleasant...	Brown, Harris & Co.; now Commercial Bank.
MISS...	Winona.....	Witty Bros. & Campbell; discontinued business.
MO.....	Paris.....	First National Bank; now National Bank of Paris.
NEB....	Bradshaw.....	Jas. A. Brown & Co.; not succeeded by Dorsey Bros., as was reported.
" ..	Chester.....	James Dinsmore; sold out to Bank of Chester.
NEV....	Eureka.....	Paxton & Co.; now Eureka Co. Bank.
N. Y....	Albany.....	Union National Bank; charter expired; no successor.
" ..	Dayton.....	N. M. Allen; now N. M. Allen & Son.
" ..	Gloversville...	National Fulton Co. Bank; now Fulton Co. Nat'l Bank.
" ..	Salem.....	National Bank of Salem; now First National Bank.
" ..	Schoharie.....	Schoharie Co. National Bank; suspended March 20.
" ..	Union.....	M. C. Rockwell & Co.; assigned March 9.
" ..	Utica.....	T. O. Grannis & Co.; suspended March 25.
OHIO...	Columbus.....	People's Deposit Bank (J. H. Anderson & Co.); closing out business.
" ..	Steubenville...	Jefferson National Bank; now Steubenville Nat'l Bank.
" ..	Tiffin.....	National Exchange Bank; now Tiffin National Bank.
PENN...	Johnstown....	Cambria Co. Bank; closed March 19.
" ..	Philadelphia...	Grant & Aull; now J. R. Grant & Co.
TEX....	Galveston....	Island City Savings Bank; reorganized March 20.
VT....	Rutland.....	National Bank of Rutland; now Merchants' Nat'l Bank.
VA....	Woodstock....	Shenandoah County Bank; suspended March 20.
Wis....	Bloomer.....	C. D. Tillinghast; succeeded by Commercial Bank.

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from March No., page 712.)

<i>Bank and place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.—Oriental Bank.....	Clinton W. Starkey, <i>Pr.</i>	Wash'gton A. Hall*
" " St. Nicholas Bank.....	Nelson G. Ayers, <i>Cas.</i>	Clinton W. Starkey.
	Thos. C. Pollock, <i>Pr.</i>	Arthur B. Graves.
	W. J. Gardner, <i>Cas.</i>	Thos. C. Pollock.
ARK.... Exchange National Bank,	Chas. F. Penzel, <i>Pr.</i>	W. P. Homan.
Little Rock.	J. H. McCarthy, <i>V. Pr.</i>	.....
" .. German National Bank,	C. J. Lincoln, <i>V. Pr.</i>	.....
Little Rock.	E. T. Reaves, <i>Ass't Cas.</i>	.....
CONN.... Merchants' Nat'l B'k, Norwich.	Chas. H. Phelps, <i>A. C.</i>	A. S. Childs.
DAK.... Gr. Forks N. B., Grand Forks.	F. T. Walker, <i>V. Pr.</i>	.....
" .. First Nat'l Bank, Huron.....	R. W. Holmes, <i>Cas.</i>	J. W. Smith.
GA.... Exchange Bank, Macon.....	H. J. Lamar, <i>Pr.</i>	Geo. B. Turpin.
ILL.... First Nat'l Bank, Macomb.....	J. H. Provine, <i>A. C.</i>	.....
" .. Monmouth N. B., Monmouth.	D. Graham, <i>V. Pr.</i>	J. T. Richard.
" .. First National Bank, Sterling..	T. S. McKinney, <i>A. C.</i>	.....
IND.... First Nat'l B'k, Crawfordsville.	J. S. Brown, <i>V. Pr.</i>	S. Binford.
" .. People's Savgs. B'k, Evansville.	Jesse W. Walker, <i>Tr.</i>	F. Lukenheimer.
" .. Indiana Nat'l B'k, Indianapolis.	Edw. B. Porter, <i>Cas.</i>	Wm. E. Coffin.
IOWA... Creston Nat'l B'k, Creston.....	R. E. Boyer, <i>Act'g. Cas.</i>	A. V. Scott.
" .. Merchants' N. B., Des Moines.	Thos. Mitchell, <i>V. Pr.</i>	.....
" .. First Nat'l Bank, Fort Dodge..	C. G. Blanden, <i>Cas.</i>	J. D. Scott.
" .. Citizens' N. B., Winterset.....	W. J. Cornell, <i>Cas.</i>	L. F. Smith.
KAN.... First Nat'l Bank, Beloit.....	W. C. Ingram, <i>V. Pr.</i>	A. Campbell.
" .. National Bank of	J. W. Robeson, <i>V. Pr.</i>	F. B. Ewing.
El Dorado.	E. K. Morris, <i>Ass't Cas.</i>	J. D. Rearick.
" .. First Nat'l Bank, Wellington.	Reuben Harpham, <i>Pr.</i>	G. W. Baird.
	J. D. Share, <i>V. Pr.</i>	R. Harpham.
" .. First Nat'l B'k, Westmoreland.	R. L. Beattie, <i>Ass't Cas.</i>	.....
	J. F. O'Daniel, <i>V. Pr.</i>	.....
KY.... Marion National B'k, Lebanon.	J. M. Knott, <i>Cas.</i>	N. S. Ray.*
" .. Louisville Bkg. Co. Louisville.	John H. Leathers, <i>Cas.</i>	J. E. Sutcliffe.
" .. State Nat'l Bank, Maysville....	W. H. Cox, Jr., <i>V. Pr.</i>	Will H. Cox.
LA.... Citizens' Bank, New Orleans...	H. A. LeSassier, <i>V. Pr.</i>	Gilbert H. Green.
MAINE... Casco Nat'l B'k, Portland.....	Wm. T. Small, <i>Cas.</i>	W. A. Winship.*
MASS... Metacomet N. B., Fall River...	Walter C. Durfee, <i>Pr.</i>	Wm. Lindsey.
" .. Grafton Nat'l Bank, Grafton..	J. D. Wheeler, <i>V. Pr.</i>	.....
" .. Naumkeag N. B., Salem.....	Jos. H. Towne, <i>Pr.</i>	D. Pingree.
MICH... Charlevoix Sav. B., Charlevoix.	F. A. Smith, <i>Cas.</i>	G. S. Thomas.
" .. First Nat'l Bank, Owosso.....	A. D. Whipple, <i>Cas.</i>	C. E. Hershey.
MISS.... First Nat'l B'k, Vicksburg.....	S. T. Barnett, <i>Pr.</i>	Lee Richardson.
MO.... Saxton N. B., St. Joseph.....	R. W. Hocker, <i>Cas.</i>	J. W. McAllister.
MONT... First Nat'l B'k, Miles City.....	E. B. Weirick, <i>Ass't Cas.</i>	H. F. Batchelor.
NEB.... First National Bank, Blair.....	F. H. Claridge, <i>Cas.</i>	W. B. Millard.
" .. First Nat'l B'k, David City....	J. G. Ross, <i>Ass't Cas.</i>	.....
" .. First National Bank,	E. A. Temple, <i>V. Pr.</i>	.....
Plum Creek,	F. L. Temple, <i>Ass't Cas.</i>	.....
N. H.... Dover Nat'l Bank, Dover.....	Isaac F. Abbott, <i>Cas.</i>	Calvin Hale.
" .. Strafford Nat'l B'k, Dover.....	Chas. S. Cartland, <i>A. C.</i>	.....
N. J.... First Nat'l Bank, Hightstown..	Collin B. Meirs, <i>Pr.</i>	N. S. Rue.
N. Y.... National Commercial Bank,	Robert C. Pruyn, <i>A. Pr.</i>	Daniel Manning.
Albany.	Nathan B. Perry, <i>2d V. P.</i>	.....
" .. People's National B'k, Malone.	F. D. Kjlburn, <i>V. Pr.</i>	.....
" .. First National Bank, Olean....	J. E. Dusenbury, <i>V. Pr.</i>	N. S. Butler.
" .. National B'k of Waterville.....	H. P. Bigelow, <i>V. Pr.</i>	D. Conger.

\* Deceased.

<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
PENN... First Nat'l B'k, Bloomsburg...	Mary Tustin, <i>V. Pr.</i> .....	.....
" .. First Nat'l Bank, Norristown..	Geo. R. Kite, <i>Ass't Cas.</i> ..	.....
TEX... Belton Nat'l Bank, Belton....	A. J. Harris, <i>V. Pr.</i> .....	.....
" .. Concho Nat'l B'k, San Angelo..	W. Childress, <i>V. Pr.</i> .....	P. C. Lee.
" .. Texas Nat'l B'k, San Antonio..	Arch. A. Alexander, <i>A. C.</i> ..	.....
VT.... Merchants' N. B., Rutland.....	John A. Sheldon, <i>V. P.</i> ..	.....
WAS. T. First National Bank, Colfax...	Chas. F. Adams, <i>Cas.</i> .....	H. Bellinger.
Wis... Manufacturers' Nat'l B'k, {	Henry Hewitt, Sr., <i>A. C.</i> ..	.....
Appleton. }	R. Richard, <i>Ass't Cas.</i> ....	.....
" .. Citizens' Nat'l Bank, Beloit....	E. P. Salmon, <i>Pr.</i> .....	J. G. Winslow.*
" .. Citizens' Nat'l B'k, Darlington.	E. C. King, <i>V. Pr.</i> .....	.....
WYO... First National Bank, Buffalo..	J. M. Lobban, <i>V. P.</i> .....	.....
CANADA Dominion Bank, Uxbridge.....	Robert Ross, <i>Mgr.</i> .....	W. W. Nation.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from March No., page 714.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3309	First National Bank..... Salem, N. Y.	Benj. F. Bancroft,	Mark L. Sheldon,	\$ 100,000
3310	Steubenville National Bank.... Steubenville, OHIO.	R. L. Brownlee,	Chas. Gallagher,	125,000
3311	Merchants' National Bank..... Rutland, VT.	John N. Baxter,	C. W. Mussey,	100,000
3312	Fulton County National Bank... Gloversville, N. Y.	John McNab,	W. D. West,	150,000
3313	First National Bank..... Island City, OREGON.	Chas. Goodnough, <i>Act'g.</i> D. W. Lichtenthaler,		50,000
3314	National Bank of Battle Creek.. Battle Creek, MICH.	V. P. Collier,	Scott Field,	150,000
3315	Tiffin National Bank..... Tiffin, OHIO.	John D. Lewis,	J. W. Chamberlin,	125,000
3316	First National Bank..... Albion, MICH.	Sam'l V. Irwin,	H. M. Dearing,	100,000
3317	Boyle National Bank..... Danville, KY.	Robert P. Jacobs,	John W. Proctor,	200,000
3318	German National Bank..... Little Rock, ARK.	John G. Fletcher,	Creed T. Walker,	200,000
3319	First National Bank..... Osborne, KAN.	W. H. Burke,	W. F. Earls,	50,000
3320	First National Bank..... Sibley, OHIO.	Chas. E. Brown,	H. L. Emmert,	50,000
3321	First National Bank..... Fresno, CAL.	J. H. Braly,	L. A. Blasingame,	100,000
3322	National Bank of Paris..... Paris, MO.	David H. Moss,	John S. Conyers,	100,000
3323	First National Bank..... Earlville, ILL.	Wm. R. Haight,	Chas. Hoss,	50,000
3324	First National Bank..... Coffeyville, KAN.	Thos. G. Ayres,	Thos. Scurr, Jr.,	50,000
3325	First National Bank..... Traverse City, MICH.	John C. Lewis,	C. A. Hammond,	50,000
3326	Aberdeen National Bank..... Aberdeen, DAK.	John T. McChesney,	.....	50,000
3327	Nat'l Bank of State of Florida.. Jacksonville, FLA.	Daniel G. Ambler, John N. C. Stockton,		100,000

\* Deceased.



## CAPITAL, SURPLUS AND STOCK QUOTATIONS OF N. Y. CITY BANKS.

<i>Cl. Ho. No.</i>	<i>Banks.</i>	<i>Capital.</i>	<i>Surplus.</i> <i>Nat'l B'ks</i> <i>Mar. 10, '85.</i> <i>State Banks</i> <i>Mar. 21, '85.</i>	<i>Stock.</i> <i>Par Value.</i>	<i>Last Dividend.</i>	<i>Market Price of Stock.</i>
1	Bank of New York Nat'l Bkg. Ass'n.	\$ 2,000,000	\$ 1,243,000	\$ 100	Jan., '85.... 5	\$ 162
2	Manhattan Company	2,050,000	984,300	50	Feb., '84.... 4	145
3	Merchants' National Bank	2,000,000	621,800	50	Jan., '85.... 4	131
4	Mechanics' National Bank	2,000,000	1,193,100	25	Jan., '85.... 4	138
5	Union National Bank	1,200,000	659,900	50	Nov., '84.... 5	155½
6	Bank of America	3,000,000	1,582,500	100	Jan., '85.... 5	158
7	Phenix National Bank	1,000,000	260,800	20	Jan., '85.... 3	102
8	National City Bank	1,000,000	1,826,600	100	May, '84.... 10	252½
9	Tradesmen's National Bank	1,000,000	211,800	40	Jan., '85.... 3	98
10	Fulton National Bank	600,000	292,900	30	Nov., '84.... 3½	115
11	Chemical National Bank	300,000	4,145,000	100	May, '84.... 15	2,518
12	Merchants' Exchange Nat'l Bank	1,000,000	143,800	50	Jan., '85.... 3	85
13	Gallatin National Bank	1,000,000	1,003,600	50	Oct., '84.... 5	165
14	Nat'l Butchers & Drovers' Bank	300,000	286,000	25	Jan., '85.... 4	142
15	Mechanics & Traders' Bank	200,000	62,000	25	July, '84.... 3	100
16	Greenwich Bank	200,000	43,300	25	May, '84.... 3	102
17	Leather Manufacturers' Nat'l Bank	600,000	440,500	100	Jan., '85.... 5	156½
18	Seventh Ward National Bank	300,000	66,500	100	Jan., '85.... 3	98
19	Bank of the State of New York	800,000	350,600	100	Nov., '84.... 4	121
20	American Exchange Nat'l Bank	5,000,000	1,434,300	100	Nov., '84.... 3½	148½
21	National Bank of Commerce	5,000,000	3,057,500	100	Jan., '85.... 4	200½
22	National Broadway Bank	1,000,000	1,422,800	25	Jan., '85.... 10	116
23	Mercantile National Bank	1,000,000	248,200	100	Jan., '85.... 3	158
24	Pacific Bank	422,700	244,700	50	Nov., '84.... 2½	108
25	National Bank of the Republic	1,500,000	561,600	100	Feb., '85.... 5	152
26	Chatham National Bank	450,000	304,500	25	Jan., '85.... 5	146
27	People's Bank	200,000	133,400	25	Jan., '85.... 5	97½
28	Bank of North America	700,000	245,300	70	Jan., '85.... 3	140
29	Hanover National Bank	1,000,000	577,500	100	Jan., '85.... 3½	129
30	Irving National Bank	400,000	166,400	50	Jan., '85.... 5	119½
31	National Citizens' Bank	600,000	245,900	25	Jan., '85.... 3½	128
32	Nassau Bank	500,000	89,600	50	May, '84.... 4	138½
33	Market National Bank	500,000	376,600	100	Jan., '85.... 4	180½
34	St. Nicholas Bank of New York	500,000	212,500	100	Jan., '85.... 4	128
35	National Shoe & Leather Bank	500,000	222,500	100	Jan., '85.... 4	160
36	Corn Exchange Bank	1,000,000	1,024,400	100	Feb., '85.... 5	108
37	Continental National Bank	1,000,000	253,900	100	Jan., '85.... 4½	142
38	Oriental Bank	300,000	286,600	25	Jan., '85.... 5	255
39	Importers & Traders' Nat'l Bank	1,500,000	2,738,900	100	Jan., '85.... 7	148
40	National Park Bank	2,000,000	1,187,800	100	Jan., '85.... 4	116
41	North River Bank	240,000	63,300	30	Jan., '85.... 4	122
42	East River National Bank	250,000	124,300	25	Jan., '85.... 4	116
43	Fourth National Bank	3,200,000	1,162,600	100	Jan., '85.... 3	111
44	Central National Bank	2,000,000	353,300	100	Jan., '85.... 10	100
45	Second National Bank	300,000	37,600	100	Jan., '84.... 10	111
46	Ninth National Bank	750,000	213,000	100	Jan., '85.... 3½	540
47	First National Bank	500,000	3,764,000	100	Jan., '84.... 10	100
48	Third National Bank	1,000,000	153,500	100	Jan., '85.... 3½	100
49	New York National Exchange Bank	360,000	92,300	100	Aug., '84.... 3½	174
50	Howery National Bank	250,000	261,200	100	Jan., '85.... 5	161
51	New York County National Bank	200,000	42,800	100	Jan., '84.... 4	100
52	German-American Bank	750,000	165,400	75	Aug., '84.... 3	185
53	Chase National Bank	300,000	135,800	100	Jan., '84.... 4	490
54	Fifth Avenue Bank	100,000	473,100	100	May, '84.... 10	165
55	German Exchange Bank	200,000	224,400	100	May, '84.... 4	101
56	Germania Bank	200,000	246,300	100	May, '84.... 4	122
57	United States National Bank	500,000	97,400	100	.....	230
58	Lincoln National Bank	500,000	35,700	100	.....	140
59	Garfield National Bank	200,000	57,600	100	Jan., '84.... 3	100½
60	Fifth National Bank	150,000	114,800	100	Jan., '84.... 3½	160
61	Bank of the Metropolis	300,000	307,100	100	Jan., '84.... 4	100½
62	*Murray Hill Bank	100,000	157,800	50	July, '84.... 4	160
63	*Sixth National Bank	200,000	53,300	100	Jan., '84.... 4	95
64	West Side Bank	200,000	119,400	100	Jan., '85.... 5	95
65	*Mount Morris Bank	100,000	41,500	100	Jan., '85.... 4	95
66	*Eleventh Ward Bank	100,000	56,700	25	Jan., '85.... 4	95
67	*Madison Square Bank	200,000	10,500	100	.....	95
68	*Seaboard Bank	500,000	102,000	100	.....	95
69	*Produce Exchange Bank	1,000,000	94,600	100	.....	95
70	*Home Bank	125,000	7,900	100	.....	95
71	*Columbia Bank	100,000	2,700	100	.....	95
72	*Nineteenth Ward Bank	94,100	—	100	.....	95

\* Not members of Clearing-house Association.

# FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, MARCH, 1885.

Opening, Highest, Lowest and Closing Prices  
of Stocks and Bonds in March.

GOVERNMENTS.				RAILROAD STOCKS.				MISCELLANEOUS.			
Interest Periods.	Open- ing.	High- est.	Low- est.	Open- ing.	High- est.	Low- est.	Clos- ing.	Open- ing.	High- est.	Low- est.	Clos- ing.
4½, 1891...reg.	111½	112½	111½	8½	8½	7½	—	Oregon Navigation.....	66	66	68
4½, 1891...coup.	111½	112½	111½	7½	8	4½	3½	Oregon & Trans-Continental.....	13½	14	12½
4½, 1907...reg.	121½	121½	121½	13½	14	6½	12	Ohio Central.....	17½	17½	17½
4½, 1907...coup.	122½	122½	122½	28	28	24	24	Pacific Mail.....	57½	62½	52
3½, option U. S. reg.	101½	101½	101½	—	—	—	—	Philadelphia & Reading.....	—	18½	13½
68, cur'cy, 1895, reg.	125	125	124	125½	16	14	—	Pullman Palace Car Co.....	114½	113½	113½
68, cur'cy, 1896, reg.	127	127	127	—	—	—	—	Peoria, Decatur & Evansville.....	51	49	49
68, cur'cy, 1897, reg.	129	129	129	32½	137	124½	—	Richmond & Danville.....	23	24	23
68, cur'cy, 1898, reg.	133	133	131	65½	65½	59½	31½	Richmond & Alleghany.....	5	54	14
68, cur'cy, 1899, reg.	134	134	133	15½	73½	66½	60½	Richmond & West Point.....	23	26	24
				—	—	—	—	Rochester & Pittsburg.....	4	4	4
				—	—	—	—	St. Louis, Alton & T. H.....	23½	23½	23
				—	—	—	—	Do. Do. pref.....	—	20	19½
				—	—	—	—	St. Louis & San Fran.....	—	37½	37½
				—	—	—	—	Do. Do. pref.....	—	84½	84½
				—	—	—	—	St. Paul, Minn. & Man.....	89	90½	88½
				—	—	—	—	Union Pacific.....	13½	13½	11½
				—	—	—	—	Western Union Telegraph.....	47½	48½	43½
				—	—	—	—	Wabash Pacific.....	59½	60½	55½
				—	—	—	—	Miscellaneous.....	5	5	4½
				—	—	—	—	Express.....	12½	11½	—
				—	—	—	—	American.....	—	—	—
				—	—	—	—	Ches. & Ohio.....	91½	91	91
				—	—	—	—	Delaware & Hudson.....	51½	51½	51½
				—	—	—	—	Lehigh & W. B. R. Co.....	109½	103½	73
				—	—	—	—	Metropolitan Elevated.....	77	79	73
				—	—	—	—	Mo., K. & T. Co. ass.....	98½	98½	92½
				—	—	—	—	N. Y. Chi. & St. L. 1st.....	109½	103	104½
				—	—	—	—	N. Y. E. & W. ad con.....	90½	90½	77½
				—	—	—	—	N. Y. W. Shore & B. 1st.....	57	57	55
				—	—	—	—	Union Pacific 7s. L'd G.....	36½	36½	31½
				—	—	—	—	Union Pacific 1st.....	112½	113½	113
				—	—	—	—	Union Pacific S. F'd.....	116	116	119

## RAILROAD STOCKS.

Open- ing.	High- est.	Low- est.	Clos- ing.
—	56	54½	—
—	39½	36½	37
—	32½	30	30
—	35	34	—
95½	96½	92½	94
72½	75½	68½	73
106½	108	105½	107½
8½	8½	8½	8½
—	17	17	—
26	26½	23½	23½
87	88½	84½	85½
111	110½	111½	—
125½	125½	125½	—
135½	135½	135½	—
6½	6½	5½	—
—	11½	9½	—
—	7	6½	—
34½	35½	34½	30½
12½	13	10½	10½
103½	109½	99½	106½
79½	79½	75½	79½

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of March opened with a week of perfect weather, the inauguration of a conservative administration, and the prospects of improved business. The weather has since repented that one exceptional week of a winter, which will stand out as the worst of the four seasons for trade in the worst year since 1876-7, if not since 1857. March goes out like a lion, in snow and frost, after the coldest month known in half a century. To expect an improvement in business under the bad influences of such unseasonable weather would be most unreasonable. Yet the absence of improvement has caused the delay that has made the heart of business men sick, and many a concern has been compelled to suspend, which might have pulled through with a usual March trade. This accounts for the increased number of monthly failures, and, in a great degree, for the low prices that have ruled in railroad stocks and in other speculative articles. The weather has reduced the earnings of the railroads, and with reduced traffic has come the disruption of railroad pools that had outlived a hard winter and until spring should give them more to do. With spring, however, came no relief, and the last of the great railroad pools was broken, namely, the Trans-Continental, which embraced all the Pacific roads and the Pacific Mail Steamship Co. This was the signal for a renewed break in the stock market, these stocks going off heavily in consequence of selling by insiders on the foreknowledge of the disruption, followed by almost a panic. The north-western stocks of the Granger list, led by St. Paul, followed the Pacifics by heavy selling inside, on the foreknowledge that the latter road would reduce its dividend two per cent. and announce what it had long denied, namely, a floating debt of over \$3,500,000.

The continued war of extermination by the West Shore and the prospect of a receiver for the Nickel Plate Road, which was fulfilled before the end of the month, together with the above conditions, brought the Vanderbilt stocks all under the ban of Wall Street, and they suffered more than the Granger shares. The Gould stocks were in the black list of the Stock Exchange during the month, on account of the serious aspect of the strike on the Missouri Pacific and the fear of an attack by the strikers on the Gould properties generally, including another strike in Western Union. But Gould, who always knows how to stop before he gets to the end of his rope, gracefully yielded when a drop in his stocks was threatened unless he did, and the restoration of old rates of wages helped to restore confidence in the stock market. Some strong men and cliques became heavily loaded, however, in their efforts to stay the general decline and protect their pooled stocks. As Gould got out before his followers did, and ran away on a cruise to the West Indies, and Vanderbilt did not support his stocks, their followers, led by Field in Western Union, Manhattan and New York Central, by White in Lackawanna and North-West, and Morgan in some of the Pacifics, had a hard and very difficult task to sustain prices. Still they are holding on with the grip of the

drowning man, waiting for Gould and Vanderbilt to come to their rescue, or for the public to take them off their hands.

Whether the effect of a war between England and Russia, which many desire, would be to "boom" prices in this country is not certain. The chances are it would, because the general belief is that, if declared, we would probably see speculation set in under a craze to buy something, no matter what, because it was cheap and was going to be higher. This would not be confined to railroad stocks, but would extend to the whole speculative list, unless cotton be excepted. But wheat, then corn, and then provisions would most likely be affected first, and in the above order, in the produce markets.

In manufactured goods it would first affect all war material, commencing with the manufacturers of arms, ordnance, war vessels, &c., from which it would soon extend to the raw material, iron, from which it would communicate to the whole iron industry and then to all other industrial pursuits. The railroads would begin to buy or contract for rails and other supplies and merchants would buy or order larger stocks of goods ahead in anticipation of higher prices. This would give the coal trade a much needed lift and bring up the earnings of the coal roads. This increased mercantile activity, together with the industrial improvement, would double up the earnings of railroads dependent upon them, while the trunk lines and grain roads would be busy bringing forward grain and produce for increased exports, or in anticipation thereof, based upon actual demand for war supplies of food, or scarcity and higher prices in Europe in consequence of the certain blockade of the Russian, and possibly Indian, grain export ports. There can be nothing more certain than this if we have a war. That war is inevitable sooner or later between England and Russia, and that England believes the sooner it comes the better, is reasonably certain. Hence the anticipations of better business soon, based thereon, are more than likely to be realized. The drawbacks possible would be 'exports of our gold in payment of our securities sent home from Europe, on which realizations might be made by the nations engaged in war in order to take the loans necessary by their own governments to carry them on. But other European nations would be more likely to buy American and sell English and Russian securities, which would offset this outflow of gold. Besides, increased exports would make the balance of trade still more in our favor, which would have to be liquidated either by increased imports, or securities returned, or imports of gold. On the whole, therefore, such a war would be a great benefit to this country in almost all branches of trade excepting the cotton, and it, no doubt, would be benefited in the general improvement after a temporary depression.

On the other hand, should the war be averted times will improve, but slowly, and perhaps imperceptibly, until next autumn, excepting that we must now get the benefit of the weather-delayed spring trade that should have begun a month ago. These remarks apply almost equally to the stock and produce markets and to manufactured goods, and there is very little of special interest to note of any particular branch of trade, finance or industry.

The agricultural situation, however, is now a new factor in the portion of the produce markets which are already in part weather markets all of which will soon become such.

The wheat market was advanced quite sharply the latter part of the month in consequence of the damage done to our winter crop by the thawing weather early in the month and the freezing weather since, which is estimated to have added ten per cent. more to the probable shortage in our next winter wheat crop, making with the previous twenty-five per cent. decreased acreage, thirty-five per cent. prospective loss compared with last crop. Yet the spring crop may, in a measure, offset this shortage, as the prospect of war between our two chief wheat exporting competitors, Russia and India, would, no doubt, stimulate an increased sowing of spring wheat. This is the only crop yet influenced by weather. But this advance of about 4 cts. per bushel has nearly all been lost since on the more peaceful attitude ostensibly, of Russia. The pool in cotton is still holding on to part of their load, though they have dropped a part to relieve themselves. There is another pool in coffee, based on the belief of a short crop in Brazil coffees. Otherwise the produce markets are nearly, if not quite all, based on their merits and not cliqued or pooled. Wall Street is the only manipulated market, excepting the cotton and coffee, and these are not in any dangerous position, as the parties are able to hold. The whole business outlook is therefore encouraging war or no war, despite the gloomy forebodings based upon the disappointing trade of the past month.

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Since the above was written the prospects of peace between England and Russia are regarded as almost certain and our markets have nearly all relapsed into their former stagnation, accompanied by a gradual decline in both the stock and produce markets. The decline in railway shares for the month ranges from one to five per cent., the latter for New York Central, while Lackawanna is the only active stock on the list that is higher, and that only because the clique had willed it so and "pegged" it up. Railroad or any other bonds that are gilt-edged are in demand, and the seller has the advantage, but all others (and their name is legion) are going begging at a decline. Since the Receiver was appointed for the Nickel Plate Road its first mortgage bonds have been active on sharp pressure to sell. The same has been true of Erie seconds and its preferred stock, while West Shore firsts have also gone down on the plan of reorganization proposed, by which their holders shall take first preferred stock in the new company on a basis nearly equal to par. These changes noted all occurred just at the close of the month. On the first of the present month the restoration of east-bound passenger rates from Cincinnati to New York was announced, and rates were advanced from \$7 to \$16 in one day. That is they were so ordered, in case all other lines not in the trunk line pool should conform to this schedule. As this is about as likely as water is to run up hill, little change in the situation can be looked for, until there is a sufficient increase in business to change the present grade, up which our railroads are all compelled to run.

The crisis in France, over the war in China, which occurred on the first of April, while depressing French rentes more severely than the prospective Anglo-Russian war did English consols, it had little effect on any of our markets, excepting, perhaps, that for teas. Indeed, both stocks and produce

went down in face of the French rentes' decline on the advance in English consols. War between China and France could scarcely do this country any good, while one between England and Russia would help the United States in all ways, excepting our cotton industries. There is, therefore, little else than foreign war and peace prospects to affect our markets at the beginning of the present month, 'as was the case during the last month. Those who believe in the peaceful assurances of Russia, however, should remember that equally strong ones were made during March, only to be followed by more active war preparations.

The reports of the New York Clearing-house returns compare as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
March 7...	\$ 302,384,400	\$ 103,789,700	\$ 32,027,000	\$ 353,726,400	\$ 11,086,500	\$ 47,385,100
" 14...	303,821,800	103,715,700	32,294,400	355,670,200	10,931,100	47,092,550
" 21...	301,371,400	104,626,200	31,870,700	354,294,200	10,977,600	47,923,350
" 28...	300,981,200	104,752,800	32,029,900	353,443,900	10,899,700	48,421,725

The Boston bank statement is as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
Feb. 28.....	\$ 141,427,700	\$ 8,025,700	\$ 4,807,300	\$ 95,228,700	\$ 22,788,700
March 7.....	141,515,200	8,063,900	5,171,100	95,275,800	22,549,300
" 14.....	142,669,900	8,199,100	4,831,200	98,012,400	22,513,200
" 21.....	142,756,200	8,324,500	4,989,400	98,633,100	22,432,900
" 28.....	142,077,200	8,408,400	5,510,000	97,542,600	22,537,400

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1885.	Loans.	Reserves.	Deposits.	Circulation.
March 7.....	\$ 73,389,609	\$ 26,412,336	\$ 73,224,273	\$ 7,697,789
" 14.....	74,355,491	26,449,413	74,354,483	7,623,223
" 21.....	74,282,240	25,634,008	73,587,796	7,683,725
" 28.....	74,472,677	25,038,585	72,953,918	7,667,620

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows:

QUOTATIONS:	March 2.	March 9.	March 16.	March 23.	March 30.
Discounts.....	4½@5½	.. 4½@5½	.. 4½@5½	.. 4½@5½	.. 4½@5½
Call Loans.....	1 @1½	.. 1 @1½	.. 1 @1½	.. 1 @1½	.. 1 @1½
Treasury balances, coin.	\$ 146,059,523	\$ 145,544,021	\$ 145,333,860	\$ 145,396,321	\$ 146,028,825
Do. do. cur.	\$ 23,979,244	\$ 24,578,374	\$ 24,697,864	\$ 24,546,425	\$ 23,324,362

Sterling exchange has ranged during March at from 4.85¼@4.87 for bankers' sight, and 4.82¾@4.84¾ for 60 days. Paris—Francs, 521⅞@520¾ for sight, and 523¾@522½ for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, 4.84¼@4.84¾; bankers' sterling, sight, 4.86½@4.87. Cable transfers, 4.87½@4.88. Paris—Bankers', 60 days, 523⅞@522½; sight, 521¼@520¾. Antwerp—Commercial, 60 days, 526¼@525½. Reichmarks (4)—bankers' 60 days, 94⅞@94½; sight, 94⅞@95. Guilders—bankers', 60 days, 40@40⅞; sight, 40¼@40¾.

The French Chamber lately rejected a proposal of some of its members for the sale of the network of railway lines belonging to the State. It was urged by the promoters of the sale that the money thus raised would suffice to meet

the last demands of the extraordinary budget, and that recourse to a new loan would be thereby avoided. It is difficult, in view of the incomplete returns of capital expenditure issued by the managing authorities, to arrive at the actual total capital outlay of the French State lines; but it is estimated that they have cost the State 900 million francs. The results of the working during the five years 1879-83 may be gathered from the following official table:

<i>Years.</i>	<i>Lengths.</i>		<i>Gross Receipts.</i>		<i>Expenses.</i>		<i>Net Receipts.</i>	
	<i>Kilometers.</i>		<i>Francs.</i>		<i>Francs.</i>		<i>Francs.</i>	
1879 ..	1,621	..	15,333,382	..	12,056,119	..	3,377,263	
1880 ..	1,707	..	17,124,201	..	14,183,730	..	2,980,471	
1881 ..	2,137	..	20,221,390	..	17,731,400	..	2,489,990	
1882 ..	2,479	..	23,291,111	..	21,212,191	..	2,078,920	
1883 ..	2,778	..	26,665,459	..	24,093,591	..	2,561,868	

The result is not brilliant; for, capitalized at 4 per cent. the net receipts would barely command a capital of 64 million francs. No doubt but that future years will show improvement. Baron de Soubeyran, the chief promoter of the proposal, had advised the sale of the State lines to a private company for the actual sum expended in their construction, and that the State should make good to the company, by a guarantee of interest on the capital, the yearly deficiencies in yield, which, in the ordinary course of events, would go on decreasing. By these means nearly one milliard francs would have been raised. The refusal of the Chamber was chiefly due to the dislike it felt for the State to guarantee interest on this amount.

## DEATHS.

BURROWS—On March 6, aged eighty years, LORENZO BURROWS, founder of Bank of Albion, which was succeeded by the First National Bank, Albion, N. Y.

MILES—On March 12, aged fifty-two years, THOMAS R. MILES, Cashier, of the National Bank of Wareham, Mass.

MONTGOMERY—On February 24, aged sixty years, W. A. MONTGOMERY, of the firm of Montgomery & Henry, Gosport, Ind.

RUE—On March 19, aged fifty-eight years, JACOB B. RUE, formerly President of the First National Bank, Freehold, N. J.

SWEET—On March 6, aged seventy-two years, CHARLES A. SWEET, formerly of the firm of Charles A. Sweet & Co., Boston, Mass.

WHITNEY—On March 6, aged seventy years, CHARLES A. WHITNEY, Secretary of East River Savings Bank, New York City.

WINSHIP—On March 18, aged fifty-six years, WILLIAM A. WINSHIP, Cashier of Casco National Bank, Portland, Me.

WINSLOW—On February 25, aged seventy-eight years, J. G. WINSLOW, President of the Citizens' National Bank, Beloit, Wis.

THE  
**BANKER'S MAGAZINE**  
AND  
*Statistical Register.*

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WAR AND GOOD TIMES.

It is certainly an extraordinary state of things that we should desire war between Great Britain and Russia for any reason whatever. Of course we should desire prosperity, but ought we at such a cost, and is there no easier or better way for bringing about this blissful condition of things than with fire and sword? What is the meaning of this impatient longing of the American people?

It is generally believed that if war should come between those two countries, a new and much larger demand would arise for American productions. War is wasteful business, as we and other nations have sadly learned. We know that if war is declared that the surplus of our corn will be wanted, and the few ships in our harbors will be called into requisition. In many ways the capital and energy of our country will find employment at remunerative prices. All that we have to spare will be wanted at some price. This we readily understand. We do not take pleasure, of course, in seeing people killed,\* but we could get a good deal of pleasure out of prosperity and money-making. We truly wish we could make it in some less bloody way, but, sadly enough, no other way seems open, hence war is hailed with pleasure instead of sorrow, because while other nations may suffer, we will gain.

So far as the immediate combatants are concerned, it is clear enough both parties will emerge from the fight with less men if not less glory, and with a sure prospect of heavier indebtedness incurred in paying for munitions of war, and other supplies and property consumed or destroyed. The debts will represent exhausted energy and capital, nothing more. Neither nation will gain materially; we may gain, but at the expense of other nations.



Why does this cloud of depression continue? We think that several reasons can be given. In the first place it is worthy of note that through machinery and higher skill we have reached a point in our development whereby we can supply our most necessary material wants in a much shorter time than we could centuries ago. In an earlier age man toiled from morn till eve in order to get the wherewithal to maintain life. Now, by machinery, we can produce all the food and clothing that we need more quickly. People, therefore, getting enough to maintain their material necessities in less time than formerly have space left for other things. Is this condition of things to be bewailed? By no means. On the other hand, it shows the enormous gain that has been made by society. Unhappily, this truth has not fully dawned on the minds of men, so they go on producing more and more, consequently there is over-production throughout the world. Now if any fact is certain it is this, that when we have eaten a good dinner we have had enough. We do not need another dinner at once. It is true that Dr. Johnson could drink his seventeen cups of tea, one immediately after the other; but doctors of that kind are scarce. Only a dude wants two overcoats of the same kind. There is a limit to the number which all sensible persons desire. So in respect to our food and clothing. There is absolutely a limit for these things, and what is true of one person is true of all. The quantity needed of bread-stuffs, clothing and other necessities of life, is absolutely limited. If, therefore we continue to produce beyond that limit, it is certain that a loss of energy and capital must ensue. This much, then, is clear, that having reached the point of producing enough to satisfy all the rational wants of mankind, we must stop, and should stop, and the true remedy consists, not in making and wasting, but in making less, and using the time thus saved for other work. At present, the only thing we can see is to go on making and wasting, and this is why a foreign war is hailed with so much delight.

The obvious remedy therefore, is not to make and to waste, but to reduce the hours of labor and to use the surplus hours in other ways. The sooner we come to recognize this great truth the better for mankind. Eight hours are better than ten, and possibly six or seven than eight. The time has come when this revolution should be made. To go on making in the old way, means a loss of capital and energy, and to keep the industries of the world permanently depressed. To do the other thing means the harmonious operation of all productive industries, employment for more people, better return on capital invested, and cheerful faces everywhere.

It is true that under such a system, capital would bring less reward than it would if employed more hours, but then one of the inevitable things in the future is a smaller return for capital. That this is likely to be the case the wisest will not deny. The ten-

dency for many years has been downward, and is likely to become more and more marked in the years to come.

But there is another remedy concerning which we shall say something. It is unquestionably true that all of us have a large number of unsatisfied wants. Those wants, which are coupled with inability to satisfy them, may be dismissed in this connection. A large body of wants, however, remain, coupled with the ability to satisfy them. Many of them are of a public nature, such as the want for better water, better gas, better sewerage, better streets, and a large number of things of that nature. They are of the most ordinary kind, and appertain to life, health and property, yet go unsatisfied. We may note right here, that as society advances, more of these wants are shared by the people in common, and their satisfaction must come by uniting with other persons. It therefore follows that the true way to satisfy these is through a public organization or municipal government.

Now, in free-trade England, where the doctrine of competition is held with so much tenacity, the extension of the powers of local governments has been very marked in the last twenty years. More and more functions are taken on constantly, and this is because the people have wants which can be satisfied only through public organization. People cannot get gas and water as individuals. They must act unitedly. These wants have grown out of them, and have caused the extension of the powers of the local governments.

Now, why are these wants not satisfied? We have our city governments which profess to do these things. Yet people are every day grumbling because they are not satisfied. We think the reason is apparent. It is because they pay so much for so little. We are inclined to believe that a great many object to tax-paying, not *per se*, but because the return is so small for their money. If, on the other hand, a larger return was made for the investment, then they would be willing to give or expend a great deal more for the further satisfaction of their wants. In this way openings would be made for employing a larger number of persons.

Our wants are indefinite. The public could supply many of them. In fact, a large portion of our most necessary wants can be effectually supplied in no other way. All of our cities need better sewerage systems, better light, cleaner streets, better water, better police force and jails, more that shall minister to the pleasure, gratification, comfort and convenience of our people. And these things, we repeat, the people not only want, but would have and gladly pay for, provided they could be had at a reasonable price. If the local Governments could or should be so reformed as to minister effectually in supplying them at a reasonable price, we are sure that all these things would be had in large abundance and improved quality, and hundreds of persons would be employed, who are idle today. Our municipal organizations should be regarded not as politi-

cal institutions, but as business corporations for ministering at a reasonable price in the way of satisfying the wants of the people.

Two more ideas, and we have for the present finished. The first is that the money paid for these wants should not be regarded as taxes and burdens involuntarily borne, but rather as money paid for something wanted, just like a bill incurred at a grocery or dry goods store. We do not regard the money we pay to the butcher or baker as a tax, nor should we regard the money that we pay for gas, water, sewerage, street cleaning, and police protection as taxes. All these things minister to our comfort, like the food we eat or the clothing that we wear. All are in the same category, and should be so regarded. If they were furnished to us at a reasonable price, would we not pay a larger sum annually for these things than we are paying at the present time?

Our final word is, that the world needs all the skill, energy, genius, that it possesses, and is willing to pay for it. We do not believe there is any need for unemployed men anywhere in any civilized State. The presence of such is due to two things: First, a production beyond the capacity of men to consume; Secondly, to the misapplication of men. They are not in their right place. When no more is produced than men need for consumption, and labor is employed to the utmost capacity—satisfying the manifold wants of man, which now go unsatisfied—no one will be without labor and reward.

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### NEW PUBLIC DEBT STATEMENT.

The Secretary of the Treasury has made some changes in the mode of stating the public debt, which are obvious improvements of the old method. By the new statement the Secretary deducts the gold certificates not in the Treasury from the amount of gold held, beside one hundred millions as a fund necessary to be kept for the redemption of the legal-tender notes. Some persons have raised the question whether any such fund ever existed, and those maintaining the negative have been desirous of applying the one hundred millions thus reserved to the redemption of the National debt. Hitherto all Secretaries of the Treasury have recognized the obligation arising under the Resumption Act to hold a certain amount of gold coin as a resumption fund. No question has ever existed in their minds concerning the sacredness of this obligation. Indeed, all have urged that, in addition to this fund proper, a further amount, Mr. Sherman held about \$140,000,000 in all, should be maintained as a resumption fund. This was a question of safety and prudence. But as a question of law there can be no doubt that when the Treasury was authorized to sell certain bonds in order to prepare for the resumption of specie payments, and did

sell such bonds, obtaining nearly \$100,000,000 in gold for them, it was bound to devote the gold thus procured to the purpose of maintaining specie resumption, and to no other use. Congress passed an Act on the 12th of July, 1882, in which it was provided that the issue of gold certificates should be suspended "whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below \$100,000,000." This subject was discussed at length in the September number of the *BANKER'S MAGAZINE* last year. Secretary Folger maintained that the coin obtained from the sale of bonds under the Resumption Act of 1879, amounting to \$95,500,000, was an especial fund to be kept and relied upon as a means of redemption of United States legal-tender notes."

Another change has been made by counting the fractional silver coin and the minor coin as unavailable assets. It has been questioned whether the Secretary is justified in thus deducting the \$30,632,326 of fractional silver. The National Congress has declared that the fractional silver is money and a legal-tender to the amount of five dollars. Deducting this amount, however, with the one hundred millions set apart as the reserve fund of the legal-tender notes, only about twenty millions are left in the Treasury, beside a special fund which is strictly a trust fund for the redemption of bank notes and other purposes. By this form of statement, therefore, only about twenty millions are left for the payment of the current obligations of the Government. Surely this is no larger sum than ought to be kept for making ordinary payments. The effect of this system is to put in a much clearer light the actual condition of the Treasury, and ought at once to put at rest the complaint of that large class of people who have not ceased to denounce former administrations because they kept so large a balance in the Treasury. It has been explained many times that the clear balance in the possession of the Government was not large—none too large considering the magnitude of its operations. Nevertheless the figures published from month to month have misled the people, and they have believed that the administration was prodigal in keeping such a large amount of money on hand. Moreover, it has led some doubtless to denounce the Sub-Treasury system with greater vehemence than they would if this statement had been prepared differently. These persons have not ceased to protest against such a system as barbarous and unworthy of a great nation, because so many millions were tied up in the Treasury, but when, under this statement, it is perceived that really the only available fund for the operations of the Government is about twenty millions, this complaint should cease. The amount, as we have seen, is comparatively small, and whether the Sub-Treasury system existed or not, the figures could not be wisely reduced below the present limit.

## CLEARINGS AT MELBOURNE.

Unlike most of the other Clearing-houses throughout the world, that of Melbourne shows a substantial increase in the volume of its transactions amounting to 4.7 per cent. The total last year reached \$724,160,000 against \$691,657,663 in 1883. The number of the associated banks is now reduced to ten by the failure, during the year, of the Oriental Bank Corporation, the transactions of which in 1883 reached more than £20,000,000. In 1884 the Bank of Victoria had the largest transactions, while in 1883 the National Bank of Australasia showed the largest figures. Through the courtesy of the Inspector, Mr. Chester Earles, we are enabled to present the following statement showing the business passed through the Clearing-house by each of the Eleven Associated Banks for the twelve months ending December 31, 1884:

		<i>Total amount of Checks, Bills, Notes, &amp;c.</i>	
		<i>Inward.</i>	<i>Outward.</i>
Bank of Australasia.....	£ 18,781,987 8	..	£ 18,708,227 7
Union Bank of Australia (Limited).....	13,685,547 10 2	..	13,648,534 3 6
Bank of New South Wales.....	11,538,193 1 10	..	12,186,801 4 2
Bank of Victoria.....	19,230,838 2 7	..	18,993,248 2 0
London Chartered Bank of Australia.....	14,550,323 19 8	..	14,332,939 10 0
English, Scottish & Australian Chart'd B'k..	12,413,539 9 11	..	12,290,537 19 10
Colonial Bank of Australasia.....	11,081,338 5 3	..	11,120,781 6 6
National Bank of Australasia.....	18,684,923 6 10	..	18,389,592 8 9
Commercial Bank of Australia (Limited)...	18,562,478 2 5	..	18,925,879 18 7
City of Melbourne Bank (Limited).....	6,564,904 15 2	..	6,701,836 3 9
Oriental Bank Corporation from Januray 1 to May 3, 1884.....	3,713,517 5 2	..	3,509,213 2 11
	£ 148,807,591 7 0	..	£ 148,807,591 7 0
	\$ 724,160,000	..	\$ 724,160,000
Clearings in 1883.....	\$ 691,657,663		
Increase.....	\$ 32,502,337		
Total amount of notes included in the clearances, 1884.....	£ 14,807,850		
	\$ 72,417,000		
Total amount of notes	1883.....	\$ 68,660,278	
Weekly average of business passed through 1884.....	£ 2,823,222		
	\$ 13,747,800		
Total amount of coin paid for balances, 1884.....	£ 8,572,054 16 7		
	\$ 41,715,600		
Total amount of coin paid for balances, 1883.....	\$ 40,267,501		

About one-fourth of the balances are paid in actual coins and three-fourths in vouchers for coin deposited, all however reckoned as "paid in coin."

D. P. B

## THE PENNSYLVANIA RAILROAD COMPANY AND ITS ANNUAL REPORT.

The annual report issued by this company is, notwithstanding the severity of the times, a record of prosperity. The business transacted during the year was enormous, the receipts aggregating nearly one hundred million dollars. No other railroad in this country can make a similar showing. The transaction of so large a business is due to the far-sighted policy inaugurated years ago, whereby the main line extending from Philadelphia to Pittsburgh is fed by branches running in many directions. This company was the first to perceive the need of securing business by controlling other lines, or by operating them as tributaries. The wisdom of the policy has been justified by the results. It is true that, like other roads, a great deal of freight has been carried at low rates, consequently the net earnings are not so great as in previous years, but the quantity of freight carried is larger, showing that the company has a firm grip on the business of the country.

The condition of the road, its tracks, stations, rolling-stock, and the interest shown in conducting the business by officers and employees alike, are worthy of note. If not so many improvements have been made as in more prosperous times, yet they have continued. Constant efforts have been put forth to render this vast enterprise more profitable and useful to all concerned.

Notwithstanding these very obvious facts, the stock of the company does not command that price in the market which the excellent condition of the road, the efficiency in management, and the amount and regularity of dividends warrant. We propose to consider briefly why the stock does not fetch a higher price. Such an inquiry is timely and full of significance.

The first reason that may be assigned is the depressed times. The stock of the best companies, like the New York & New Haven, Boston & Albany, Chicago & Alton, and the stock of the poorest, like the Erie, suffer. In 1878 and '79, when stocks began to rise, the good and the bad went up together without much regard to the earning capacities of railroads. Erie bounded to a high figure, and so did the stock of many other roads worth intrinsically no more. At one time there were \$500,000,000 of listed stock in the New York Stock Exchange, on which no dividends whatever were paid, and in most cases never had been. When the cloud of depression gathered over the country, the worthless stocks were affected first, but the good and the bad have alike declined and without reason.

The assertion is often made that the Pennsylvania stock brings no higher figure, because the company for a considerable period has annually increased its stock account. The additions thus made have not always been understood by the public, and it is worth while to give a fuller explanation of them.

A study of the reports issued by the company shows that the additions thus made from year to year have been for money actually expended in improving the road, either of the main line or its branches. These improvements may be roughly divided into two kinds. First, those by which the property is permanently improved in value, like removing grades, reducing curves, replacing wooden with iron and stone bridges, erecting more substantial stations in place of temporary ones, and many other improvements of this nature. The second kind of improvements are those which add chiefly to the pleasure of the traveler, and do not directly enhance the value of the property, by increasing its earning capacity. These improvements are of a decorative nature, the aggregate value of which, however, has never exceeded a small sum, and are hardly worth notice in this place.

Improvements of the first kind enhance the value of the property, and in many cases immediately, either by commanding or securing new business or by cheapening the carriage of the old. The straightening of the tracks, for example, whereby the cost of transportation is reduced, has the effect, of course, of swelling the net income of the company, thereby enhancing the value of the property. Now, it is obviously just as correct, from any point of view, to issue stock for these improvements as it would have been to issue stock for them had they been made in the beginning. The time or occasion of making the improvements is utterly without significance with respect to issuing stock therefor. They cost money, the road is more valuable in consequence, its money-making power is increased, why, then, should stock not be issued for them? Nor is the question of the source whence the money is derived for the expenditure of any significance.

A railroad company may deal with such improvements in two or three ways. One way is to issue bonds for the money thus expended. Many roads borrow money and issue bonds in order to make improvements of this nature. Within a few months the New York Central has issued bonds for a large amount of money in order to make needful improvements. The Pennsylvania, instead of borrowing money in every case to make them, has retained a portion of the earnings, and instead of issuing bonds for the money thus used, has issued stock. No water has been injected into the road by this process, and, as we confidently believe, the permanent improvements made for many years have amounted to a much larger sum than that represented by the additional stock issued.

If, therefore, improvements of this nature have been made, resulting either in bringing new business or in cheapening the cost of transacting the old, thereby adding to the net income of the company, no sound reason exists why the price of the stock should be unfavorably affected by this operation.

The company could deal with this matter of improvements in one of two ways. It could issue no stock or bonds of any kind, but leave the capital of the road untouched, in which event the effect of the improvements would be seen in enhanced dividends. These, in turn, would probably increase the value of the stock. That is one way of dealing with the matter.

Another way is to issue stock and to pay dividends thereon. The question may now be asked, which is the better way.

Suppose, for example, the company issued an additional million of stock last year, and, as a consequence, the aggregate value of the stock had declined more than that amount, then it is evident that such a policy, regarded from one point of view, was unwise. Suppose, for example, that instead of issuing this stock for improvements actually made, the dividends had been increased, and, as a consequence, the aggregate value of the stock had been enhanced more than a million dollars, then it is clear, from one point of view, that the wiser policy would have been to leave the capital of the road untouched, because the aggregate value of the property would have been greater in the latter case than in the former. Which, therefore, is the wiser policy—to leave the nominal capital untouched and look to the effect of enlarged dividends for enhancing the value of the road, or to increase the capital, and in that way add to the worth of the property? We presume that the officers of the Pennsylvania Railroad have carefully considered which is the better policy. It is nevertheless true that many question the wisdom of the policy that has been pursued, and maintain that it correctly explains why the price of the stock is not higher.

The wisdom of this policy may be considered from two other points of view, those of the investor and of the seller. Considered purely as an investment, it is not of the slightest consequence to the investor whether he receives his additional earnings in the way of the usual dividend on more stock, or a higher one on a smaller quantity of stock. The amount that he receives will be the same in either case. One policy, therefore, is just as good as the other, so far as he is concerned. But let us consider him in the light of a seller, and then the question may be asked, "Is not one policy better than the other?" The answer to this question can be given by asking another, namely, whether the aggregate value of the property is enhanced more by increasing the number of the shares, or, by keeping the number the same, increasing the dividends and adding to their valuation? The answer, of course, is apparent, whichever pol-



icy will yield the largest market valuation of the road is the most profitable policy for the seller of the stock.

Other considerations might be given to justify the increase in the capitalization, but for these we have not space.

It may be added that notwithstanding the decline in the rate of dividend, this should not affect the value of the stock, because the money received has as large a purchasing power at the present time as the larger dividend had two or three years ago. In other words the stockholder can buy as much with his six per cent. dividend to-day as he could with his eight per cent. dividend. Furthermore, the value of almost every kind of property has declined. The relative value, therefore, of the stock of the Pennsylvania Railroad, in common with that of other well-managed roads, is just as great as it ever was, and ought to be thus regarded.

Let us now return to the first reason given for the decline in the value of the stock of this company. We are inclined to think that it is more powerful than any other at the present time in affecting the stock. It is one of the inevitable results of keeping in bad company. As we all know, the stock of good railroad companies is listed with that of bad ones, and unhappily the former suffer in consequence. If a good railroad company ought to dread anything, it is a bankrupt concern which is responsible neither to stockholders, bondholders, nor to any power save a feeble and inefficient judiciary. It is well understood that when a road becomes bankrupt and passes into the hands of a receiver, it can do pretty much as it pleases, and yet nearly one-half of the railroad mileage in this country is either in the hands of a receiver or pays nothing, yet the stock is listed and hawked about in the markets, and used as an agency for affecting the price of good properties. It would be much better and fairer if the really sound railroad concerns could separate from the bad ones, either by getting the Stock Exchange rules so amended, that when a company ceased to pay dividends and passed into the hands of a receiver, its stock should be stricken from the list; or, if exchanges must continue their dealings in it, by the formation of another list entirely distinct, called by a new name, and the sales announced at a different time, so that transactions in sound stocks could be clearly separated from the rest. This consideration, in our judgment, is worthy the serious attention of all well-managed railroads. Those which do not pay might suffer from the change, but there is no reason for keeping the sheep and the goats together in this case. The good concerns have suffered quite enough from companionship with bad ones, and ought not thus to suffer any longer. The union was never voluntary on the part of the former, and has been maintained against their will and judgment. Surely the time has come for discontinuing this strange and unnatural companionship which has proved so costly to the well-managed and paying companies.

## FINANCIAL FACTS AND OPINIONS.

The excess of the imports over exports of silver in British India during the six years ending with 1883, was \$189,000,000, whereas the net import of silver, during the same years, in both China and Japan, was only \$75,000,000. In making up these figures the value of silver is reckoned at the American coining rate. If the value was reckoned at the gold price of silver, the figures would be reduced about fifteen per cent. Many persons believe that the absorption of silver in China is likely to increase largely. They base this belief upon expectations that the industrial resources of China will be developed by railroads and manufacturing machinery upon the scale witnessed in India, and that the monetary use of silver will be facilitated, as it is in India, by coining it. Both these things may happen soon, but, on the other hand, they may be long delayed. The policy of the rulers of China is necessarily obscure to outsiders, but that there is a possibility of an immensely increased use of silver in that populous empire, there can be no doubt.

The Bank of France is in the habit of making a profit, whenever gold is wanted for export, by charging a small premium for bar gold and for fresh-minted and full-weight gold coins. According to reports in the London press it sometimes refuses gold at any price, and insists upon paying claims against it only in silver. All the payments of the French Government are made through the bank. France is a double standard country, and the option of paying gold or silver is always with the paying party in such countries. The Bank of France consults only its own interest and convenience in deciding which it will pay, and it is not probable that those who deal with it expect anything else.

The London *Economist* of March 7, in an article upon the new taxes required by the British wars and preparations for war in the Soudan, India, and elsewhere, suggests that a stamp duty should be imposed upon such gambling transactions in stocks as now escape that tax, because they do not involve any transfer of the title to stocks. Gambling contracts of all kinds, and in all countries, which it may not be possible to repress by direct prohibition, may be to some degree held in check by excise duties, and at any rate may be made to yield revenue to the public exchequer, and thereby to relieve meritorious employments and industries of some part of the burden of taxation which rests upon them. The finances of the United States do not, at the present moment, compel our National legislators to look around for new sources of revenue, but that necessity will be upon them before they are aware of it, if half

of the schemes of spending money upon Isthmus canals, great navies, &c., are adopted, or if half of the projects of giving up our customs duties to foreigners by reciprocity treaties are carried out. When the necessity for more revenue does come, we shall have excises collected by the method of stamps, which is, beyond comparison, the cheapest and most popular method of internal taxation. And if, by means of such excise stamps, the gambling in stocks and in produce futures and options can be checked, we shall reform financial and commercial habits, as well as recruit the public exchequer.

On the 10th of March the National banks of New York City, in addition to owning Government bonds to the amount of \$14,429,500 held in the Treasury as security for circulation and for deposits of public money, owned \$5,890,250 of such bonds as a voluntary investment, although they pay less than three per cent. per annum upon their market price. This fact strikingly illustrates the sluggishness of the demand in this city for bank loans.

One of the British methods of collecting the income tax on the dividends on foreign shares and bonds is to require British banks and bankers, where such dividends are paid through them, to deduct the tax and account for it to the Government. This is, of course, not an effectual method where the dividends are only payable abroad and not at the counters of British banks and bankers, or where the holders of securities have an option of the place of the payment of dividends, and decide to receive them outside of Great Britain. According to the London *Economist*, many Englishmen, in the cases in which such an option exists, are getting into the habit of having their dividends collected abroad, so as to escape the income tax, and the practice has become so general that some bankers become well known as purchasers of foreign coupons. The *Economist* thinks that new legislation could be devised whereby such bankers could be made responsible for the tax. The more successful the British Government is in collecting an income tax from British holders of American bonds, the better it will be for this country, because it will cause more of them to be sent back here for sale. The worst relation which we can sustain to foreigners is that of being debtors to them.

A city contemporary (the *Evening Post* of April 6) says of the European trade in paintings, that "the dishonest dealers of Paris and Brussels are in the great majority," that they derive more profit from their American trade through the counterfeits they sell, than from the sufficiently enormous profits they get on their genuine pictures, and that by the "flood of fraud" from that quarter, American "art innocents" are "pillaged of hundreds of thousands of dollars." And predicting still worse things in the future, it adds that "this business is apparently just beginning, and as our wealth increases we are in danger of being defrauded in arithmetical progression."

The critics in art matters, who write in the *Evening Post*, are likely to be as well informed as anybody as to the degree in which Americans lose their money in paying excessive prices for European genuine paintings, and being gulled with European counterfeited paintings. The revelations which the *Post* makes on both points will not incline Congress, or the country, to further increase the gains of European sharpers, by taking off the present duties from foreign paintings. The proposition to admit articles of that kind for the use of the rich and luxurious, free of tax, seemed to be already sufficiently odious, without the additional points suggested by the *Post*.

Unless popular impressions are quite at fault, the case of paintings is by no means the only one, and probably not the principal one, in which European sellers have the best of the bargain in their dealings with American buyers. In particular, we hear a good deal about wines and brandies imported at enormous prices, of which the basis is cheap American whiskey, with the addition of colors, flavors and labels which are made attractive by European artists in such matters. In our trade with the ingenious peoples on the other side of the Atlantic, we send them good and sound values in wheat, corn, meat, cotton, timber and other necessities of life, and get in return many things which are by no means indispensable to us, and undoubtedly some things in which we are thoroughly cheated. Upon a general view, it ought to be our National policy to restrict, rather than to expand, the sort of trade intercourse now carried on between this country and Europe, and to look in other directions for a really profitable foreign commerce.

Whether we shall draw gold from Europe, or have our own gold drawn thither, as a result of wars between the leading nations of that continent, will probably depend mainly upon whether such wars do, or do not, cause additions of paper money to the currency of that part of the world. Without such additions, it would seem impossible for Europe to commence sending gold this way, without producing such a fall in European prices, compared with ours, as would make it more profitable for them to pay us in their goods, or in our securities of various kinds, of which they hold a good many, rather than in money.

The treaty of reciprocity between the United States and the British West Indies, which the late Secretary of State, Mr. Frelinghuysen, endeavored to negotiate, would have surrendered \$12,000,000 of duties on imports into this country, while the surrender of duties upon imports into the British West Indies from the United States would have amounted to only \$750,000. It would have been as one-sided an arrangement as our treaty with Hawaii, which the late Administration endeavored to extend for another term of seven

years. This country never entered into a reciprocity treaty except to its own injury and loss. All the reciprocity treaties recently proposed have been with other American countries, and it is inherently difficult, and probably impossible, for the United States to make a profitable exchange of markets with any of them. The reason for that is the obvious one, that our market is that of 57,000,000 of the largest consumers in the world, while no other American country has more than a few millions, and in respect to most of them the average *per capita* consuming power of their people is comparatively small.

During the first eight months of the current fiscal year, the falling off in the internal revenues, as compared with the same months of the last year, was \$5,297,826, of which \$4,965,841 was the decrease in the whiskey duties. The whiskey revenue of the next fiscal year is likely to show a still further decrease. Mr. McCulloch in his last November Treasury report, predicted that the tariff revenue would begin to recuperate this summer. There are no present signs of that. There is no prudent forecast of the combined internal and tariff revenues, which now justifies any reduction of them. The payment of the public debt has stopped for the present, and unless there is a stout resistance to the innumerable new schemes of National expenditure, we shall be obliged to impose fresh taxes to make both ends meet.

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### EFFECT OF RELATIVE PRICES ON THE FLOW OF THE MONEY METALS.

Nobody at the present day, however it might have been in less enlightened times, supposes that any country can, by prohibitory laws, prevent the exportation of the precious metals. It is now the accepted doctrine, stated in a general way, that there are certain causes which operate independently of legislation, and which are ordinarily spoken of as commercial laws, which determine at every given time what proportion of the money metals of the world each of the countries using coin as money, with or without the addition of paper kept at the metallic standard, is entitled to by its population, wealth, exchanges, and monetary system and methods, and that any excess it may have beyond this proportion tends to flow out, while, in the case of a deficiency, there is a tendency to an inflow until the proper proportion is restored.

Of the causes controlling the flow of metallic money, the one which is immeasurably the most efficient, and which in no long time invariably overcomes all causes acting in a contrary direction, is the necessary tendency of such money to leave those countries in which

commodities internationally dealt in are relatively dear, for other countries in which such commodities are relatively cheap. Things which are destined for sale are always attracted to markets in which prices are high; but money, on the other hand, its chief office being that of a medium of exchange in making purchases, is always attracted to markets in which prices are low. It is upon this principle that the precious metals are not retained in undue proportion in the countries which produce them in large quantities, but are in no long time diffused over all countries, including those in which they are not produced at all. The first effect of the discovery of rich mines in California and Australia was to raise their prices and wages to an abnormal height; but this made them good countries in which to dispose of merchandise, with the final and not very long postponed result, not of wholly depleting the excess of their holdings of the monetary metals, but of reducing it to a point just sufficient to produce the rate of outflow required to maintain the proper monetary equilibrium between them and other parts of the world.

If money had no other office than that of being a medium of exchange in making purchases, there would be no other cause than relative prices for the international movement of the precious metals. But, while that is its chief office, it is not its only one. It has the other offices of being the medium in which loans of capital are most commonly made, and in which the interest on debts and income on investments are commonly received. Looking at these two other offices of money, it would seem to be attracted from one country to another by two other forces. The first is a tendency of it to move from places in which the rate of interest obtainable upon loans is comparatively low, to places in which it is comparatively high. The second is a tendency of it to move from debtor to creditor countries in the constant payment of the interest, and in the occasional payment of the principal, of loans. These tendencies undoubtedly exist, but that they are counteracted by some other cause is clearly shown by facts of observation, with which everybody is familiar. Countries which are constantly lending money, and on a great scale, never thereby suffer any permanent, and rarely any temporary, reduction of their money stock, while, on the other hand, countries which borrow constantly, and on a great scale, never thereby increase their money stock. So, too, there is no outflow of money from countries which are in a tributary condition, either like India by a permanent involvement in foreign debts, or like Ireland by the ownership of large portions of its soil by absentee landlords; nor is there any inflow of money into the countries which enjoy either or both of those forms of tribute. We know very well that since the discovery of gold mines in the Australian colonies in 1851, money has been constantly transmitted by them to England, although they have been steady and heavy bor-

rowers in the London market. We know, also, that while India pays a tribute of interest to England, commonly stated at \$75,000,000 per annum, the balance of the flow of the monetary metals between India and England is always from England to India. What Australia obtains in England is not metallic money, of which there is a permanent excess in Australia, but a credit for money which England is always able to give and to make good without an actual export of gold. The tribute of India to England is not paid in money, but by the use of the credits for money in England which result from the permanently favorable balance of the total Indian merchandise trade with foreign countries. India could not pay its tribute in actual gold, of which it is not a producer, and of which, while it does not use that metal as money, it is a constant purchaser and importer on an important scale, not less now than \$20,000,000 annually, for consumption in the arts, mainly for ornaments.

We thus see that, in the case of Australia, while its enormous borrowings in England of recent years and still continuing, would, in themselves, create a tendency to an inward flow of gold, it is overcome by the contrary tendency to an outflow of gold which results from that permanently unfavorable balance of the total Australian merchandise trade with foreign countries, which is caused by the magnitude of the Australian gold production and the consequent high general range of prices prevailing in Australia. And we also see, in the case of India, that while its permanent annual tribute of \$75,000,000 to England must, in itself, tend to drain away any gold in its possession, and to impair its power to purchase either gold or silver, it is a tendency always overcome by such relatively low Indian prices of commodities internationally dealt in, and by such a large favorable balance of the total Indian foreign merchandise trade, as to cause a permanent inflow of both gold and silver.

The power of cheaper markets to attract gold and silver from dearer markets is a power which works all the time, and is certain to overcome at last all forces acting in the contrary direction. It is also a power which increases in intensity as the disparity in the prices of cheaper and dearer markets becomes greater. If it happens that a force tending to move money from cheaper to dearer markets does, for some short interval of time, produce that result, the immediate effect is to still further lower the prices of the cheaper markets, and still further to raise the prices of the dearer markets, and thereby to make the attraction exerted upon gold and silver by the cheaper markets still stronger.

[ TO BE CONCLUDED IN OUR NEXT NUMBER. ]

## BANK OF ENGLAND NOTES.

Let us begin with the size of the paper. As delivered from the mill this is twice that of the note and is cut into two afterwards; this accounts for a Bank of England note having three rough or natural edges, and one smooth or cut edge. The paper is first taken to the bank-note paper office, where about a dozen clerks are constantly employed to count it. The paper is then passed on to the offices where the notes are printed. The printing is done by two processes, the first for printing the body of the note, and the second for filling in the signature of the chief cashier and the numbering.

Bank of England notes are issued only for amounts of £5, £10, £20, £50, £100, £200, £300, £500 and £1,000, and the average value of these denominations paid into the bank daily amounts to about \$7,500,000, while the number of notes that come in daily varies from about 40,000 to 60,000, these figures having reached on occasions 83,000 in one day.

It is impossible to give an exact estimate of the cost of issuing the Bank of England notes, because many of the officials of the bank devote only a portion of their time to the bank note, and it is likewise difficult to say what proportion of the rent of offices should be charged to the issue account; but it is within the mark to say that the cost of issue exceeds \$1,000,000 per annum.

The notes are printed in lots of 100,000; all in each lot bearing the same date and cypher, *i. e.*, the initials before the number. They are for a like amount, and numbered from 1 to 100,000. For instance, a hundred thousand £5 notes are issued dated 1 January, 1885; these would all be stamped in the middle with this date, and would also have, in front of the number, a cypher thus, say  $\frac{H}{51}$ .

These cyphers are never repeated, so that each note has an identity of its own. When these hundred thousand are prepared, two ledgers are opened containing fifty thousand spaces, each space being numbered and corresponding to one of the notes, so that when the notes, after issue, come back to the Bank, the date of its reception is stamped in the place prepared. This system precludes the possibility of two notes of the same number and date being cashed without the authorities being cognizant of it, and also prevents a note being invented and passing into the bank without detection.

After printing, the quantities allowed by Act of Parliament are passed on to the "Treasury" at the bank and appear in the pub-



lished accounts as assets. From the "Treasury" the "Issue Department," where notes for coin and coin for notes are exchanged, is supplied, also the following departments of the bank, viz., the "Private Drawing Office," where private individuals and bankers keep deposit and "drawing" accounts; the "Public Drawing Office," where the public or Government accounts are kept; the "Bill Office;" and the "Dividend Pay Office," where the dividend warrants of stocks managed by the Bank are cashed. Through these channels the notes find their way into the hands of the public.

As soon as the notes are issued they commence to come back again, and the means taken by the bank for their reception will now be described. This can best be done by following up the history of the note and showing what is done with it. The offices before mentioned have notes paid in for various purposes, and the issue department gives coin for notes which the public wish to cash. These notes are all collected and taken to the accountant's bank-note office. Those notes that come into the bank in the ordinary way of business are inspected at the counters by the cashiers, but the large parcels of notes coming from bankers are handed over to the Accountant's Bank-note Office. Suppose a banker sends in a variety of notes numbering about 10,000, and representing a value say of \$700,000, he is given credit for the \$700,000 and is not kept waiting till every note has been counted and inspected. His parcel after being noted in the accountant's bank-note office, is handed over to be stamped with a red figure corresponding to the order in which the parcels of notes have arrived during the day, so that all his notes can be identified afterwards in case of dispute.

The parcels then go into the inspector's office, where some fifteen clerks are in readiness to look through the notes, seeing that each is genuine. Next day all the notes received at the bank and its branches are taken to the sorting department, which employs about 60 clerks. Here each date is separated, and all the notes being sorted in numerical order are then entered into books, from which the ledgers before described are posted. After the notes are sorted they go to the library and are kept in such admirable order for the seven years which follow the notes coming back to the bank, that at any time within that period, a person, if he knows the date and number of a note, can have it produced within the space of a minute upon applying at the bank-note library.

This might seem to some a costly and unnecessary process, but it has many advantages, and has been of incalculable service in the detection and more particularly the prevention of robberies. For instance, suppose that an employee appropriates notes. By the numbers and dates they are immediately stopped at the Bank of England, so that if anybody attempts to cash them, an inquiry is instituted by which the notes are traced to the employee. If a pur-

chase is made—and money is no use except for making purchases—with a stolen note, the storekeeper pays the same into his banking account, then his banker pays it over to the Bank of England, from whence it is traced back to the purchaser of goods with the stolen note, and in most instances leads to the detection of the thief. Many important criminal and civil cases at law have been decided by the production of a note from the Bank of England Library.

Notes received in business, or cashed by the Bank of England or the principal banking houses, are never re-issued, and though the value of those permanently outstanding is seldom in excess of \$140,000,000, the amount of transactions effected by means of bank notes is very large, which can be seen from the numbers cashed at the bank daily, as previously shown.

It is noteworthy that although the system encourages a short life to a bank note, the excellence of the paper, which is superior to any bank-note paper in the world, would warrant a prolonged existence.

HOWARD WILLIAMS.

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## HISTORY OF THE PERMANENT AND TEMPORARY CIVIL WAR LOANS.

[CONTINUED FROM THE MARCH NUMBER.]

This mode of capturing investors by debasing the currency was delusive, although shared by many persons. Mr. Spaulding seems to have been pretty badly infected with it, and even Mr. Chase's successor in the Treasury Department did not wholly escape. If a person is acquiring wealth, various considerations enter his mind concerning it. If he is getting houses, lands, and the like, he may ask himself shall they be permanently retained or exchanged for other property? If he is getting money, of course he will exchange it for some other form of wealth. Mr. Chase and Mr. Spaulding, and others seemed to think that if money were made plentiful, the possessors would exchange it for Government bonds. Such a conversion was not sure to follow. They would unquestionably exchange it for other kinds of wealth; and this was done. A great variety of exchanges were made. Persons indulged in wonderful extravagance in dress, in living, in houses; they enlarged their factories; they did a thousand things with their money. Some of them bought Government bonds, but the purchases or investments of this nature, even when largest, were very small compared with the purchases of other things, and which the people might have gone without if they had chosen and wished to invest in the Government securities. The issue of paper money led many to distrust

the Government and to hesitate in buying its bonds. They, of course, bought something as soon as possible, but not necessarily the public securities. If there had been nothing else for them to purchase, then the bonds would have been sold, but the owners of wealth could do numberless things with their accumulations. And in truth they did. The theory of watering the circulation in order to quicken investments in bonds was a fallacy of the gravest magnitude, but one unfortunately which affected many persons. The wider the departure of the Government from sound principles in issuing money, the greater was the distrust of thinking men, which included a large class of investors, and the less inclined were they to buy Government obligations. They preferred to speculate, to buy railroad bonds and stocks, real estate, mortgages, to build houses, factories and the like.

If the Secretary had continued to offer the six-per-cent. bonds for sale, the tendency of this policy would have been to repress inflation, prevent speculation in stock, gold and other commodities, and by thus holding a steady money market, to encourage productive industry and other legitimate pursuits. On the other hand, by exercising the power conferred to issue a large amount of legal-tender and Treasury notes, the currency could not escape deterioration to such an extent as to embarrass legitimate business, to increase the price of labor, the cost of living, transportation, and the raw material used in building, manufacturing, and other industrial operations.

Very different, therefore, were the effects flowing from the two policies. Secretary Chase chose the latter. He sinned against the light. The consequences were those which had been prophesied. Said Mr. Spaulding, in a letter written in April, 1864, "It seems to me that the policy of the Treasury Department for the last three months has been that of inflation, and over-issues of a paper circulating medium. It has, by such a policy, unintentionally stimulated and encouraged speculations in gold, stocks and other things, rather than to encourage industry, the production of commodities, and other legitimate business. Under this policy, gold has advanced twenty per cent., and the price of labor and commodities continues to increase to such an extent as to render it very embarrassing for business men to carry on their ordinary pursuits. I know very well that these evils cannot be fully guarded against during the prosecution of such a gigantic war, and the large amount of paper necessarily issued by the Government; but it is the duty of the Government that these evils should be mitigated and rendered as light as possible."

Secretary Chase, therefore, proposed to float his bonds at a fearful cost to the country, evidently supposing that it was better for him to do this than to acknowledge his mistake and seek to repair it. He cannot be excused for this awful blunder on the ground

of blindness. He must have seen what he was doing, and traced the demoralization around him to its rightful sources. Others saw; we do not believe that he alone could not see.

The one per cent. which he proposed to save would have been on the whole amount of bonds \$9,000,000 a year, and for the ten years before they could be redeemed \$90,000,000. This was a large sum, and worth saving, if it could be done without jeopardizing the credit of the Government. But the experiment was too hazardous to try at such a time. Admitting that he had the best intentions, yet there is no excuse whatever for his persistence in it after it was clearly seen that the people did not like five-per-cent. interest-bearing bonds. When the Secretary found this out he should have advanced the rate at once instead of issuing legal-tender notes, and thus adding to the fires of speculation and demoralization which had been kindled by the already excessive issues of paper money. As soon as Senator Fessenden succeeded Mr. Chase, the fifth of July, 1864, he withdrew the loan and issued new bonds bearing six per cent. interest.

It may be stated that the right to exchange the legal-tender notes for bonds was abrogated by the law authorizing the nine hundred million loan. This right was regarded by many as a contract which the Government could not justly change, and its abrogation as one of the worst mistakes in the management of the finances during the war. The Secretary recommended the repeal of this provision from the law. He said, in his annual report in December, 1862, that the provision had been followed by the inconveniences which were feared, rather than by the benefits which were expected. "Convertibility by exchange at will is of little or no advantage of the notes; for the clauses which secure their receivability for all loans make them practically convertible." The committee did not deem the abrogation of this provision just, but the Secretary maintained that he could sell the bonds at better advantage if his recommendation was heeded. Congress did as he desired and prescribed that if the notes were not presented within a given time they could not be exchanged.

It is true that so long as the Government was borrowing money by issuing bonds, no rights of exchange were impaired, and no injury was sustained by the Government in consequence of changing the law, because if the people wanted bonds they could at any time get them. The provision was of no importance until after the Government ceased to borrow, when exchanges could no longer be effected. Secretary Chase did not look forward to that time. He was thinking of the present, how to raise money in the easiest way to carry on the war. But if the provision had not been repealed, after the war was ended it would have been most effective in restoring a sound money standard to the country.

"If the right to fund the greenbacks into the six-per-cent. gold bonds had not been abrogated, no financier or practical business man, whose opinion is worth quoting, can doubt that we would have gone to specie payment within two or three years after the close of the war in spite of ourselves. The individual indebtedness at the close of the war in 1865 was small. Every one was comparatively free from debt. The six-per-cent. gold bonds were sought for as an investment. They soon appreciated to par in gold, and if the right to fund had been continued, the greenback currency would have appreciated to par in gold along with bonds. The legal-tender Act would have served its purpose as a war measure, and we would have returned to the specie standard without material detriment to the legitimate business of the country."

The cost of repealing this provision, therefore, is measured by what the country suffered during the period between the resumption of specie payments in 1879, and when they would have been resumed had the law been left to operate. Congress had legislated far more wisely than they knew, and prepared a way for the people to resume themselves without legislative action. No measure for resuming specie payments possessing higher merit was ever devised. In a thoughtless hour it was repealed. Congress, though, when doing this, did not realize the potency of the measure for restoring the specie standard of payment. All were thinking of the anxious present, and leaving the future for others. No one supposed that the suspension of specie payments would continue long after the war was over, and if Congress had possessed enough prescience to see how effectively this law could be used to restore them, doubtless it would have been retained, notwithstanding the present evils caused by it. In that event the people would have worked out their own financial salvation in a short time, and those terrible years of speculation, unprofitable enterprise, unparalleled extravagance in living, general abuse of credit, idleness and widespread demoralization would have been unknown. Many of the horrors of war would have faded quickly on the return of the sunlight of prosperity. It was much easier for Mr. Chase to dilute the currency than for his successors to restore it to its original condition. In a few months the Secretary had accomplished his purpose, but fifteen years were spent in making the currency buoyant enough to float among the specie-using nations of the world.

Another evil flowing from the Secretary's abortive effort to issue five-per-cent. bonds was the changing of the standard of value for measuring the legal-tender notes, and thereby unsettling prices and paving the way for all the evil consequences which followed. When the legal-tender notes were first issued they were not merely an irredeemable kind of paper money. They could be redeemed in bonds bearing six per cent. interest, payable in coin within a given

period. There was, therefore, a fixed standard and measure of value for the redemption of the legal-tender notes. Every person who received them voluntarily or otherwise, knew what he could do with them. He could get Government bonds in exchange. The redemption of the notes, therefore, was not on demand, as formerly, but after five years and within twenty, and in the meantime he received six per cent. interest, payable in coin. This was the standard of value fixed by the law. It was, in effect, a forced loan from the people to the Government, but at a fair rate of interest. When the law of March, 1863, was enacted, giving the Secretary of the Treasury power to issue bonds bearing any rate of interest he thought expedient, no longer did any standard of value exist fixed by law. It rested with him to say from time to time what the rate of interest should be, and to issue and re-issue notes redeemable in them. Under such a system it was impossible for any man to regulate his contracts or business with much certainty of the future, for no person when he took a legal-tender note could fix in his mind its real value. But when the rate of interest was left to the discretion of the Secretary, the value of the legal-tender notes was rendered yet more uncertain, and this uncertainty was further increased when exchangeability into bonds at the will of the holder was removed.

Finding that the five-per-cent. bonds would not sell, or only in a feeble way, what did Mr. Chase do? Congress had authorized him to issue various kinds of Treasury notes by the Act of March 3d, 1863. This power was exercised by him, and both kinds of legal-tender notes, those bearing interest and those which did not, were issued. At the time of resigning (June 30, 1864) he had issued \$44,520,000 of five-per-cent. one-year Treasury notes, authorized by the above Act, \$108,951,450 of two years' notes, and \$15,000,000 of compound interest notes. The money obtained from these sources, together with the issue of more certificates of indebtedness, which at that date amounted to \$160,729,000, and more certificates of deposit, and the money received from taxes enabled him to meet the obligations of the Government. Some bonds were sold; the banks purchased a considerable quantity, but the most of these was under a law passed the year following (March 3d, 1864), which authorized the Secretary to make a loan of \$200,000,000 for that fiscal year, in lieu of the same amount of the previous loan, and to issue bonds redeemable after five and within forty years at the pleasure of the Government. The interest was not to exceed six per cent., and to be paid, as well as the principal, in coin. The banks subscribed for their bonds under this Act. They bore, however, only five per cent. interest.

## ADMINISTRATION OF THE NATIONAL FINANCES FROM JULY 1864 TO SEPTEMBER 1865.

Mr. Chase retired from the Treasury Department on the last day of the fiscal year 1864. His retirement was first known by the Senate when President Lincoln sent in the name of David Todd of Ohio for Secretary of the Treasury. Gov. Todd declined the appointment, and Mr. George Harrington, Assistant Secretary, was appointed Secretary of the Treasury *ad interim*. William P. Fessenden, United States Senator from Maine, afterward succeeded to the office.

Mr. Chase had had an opportunity to do great things, but he was not the man for an occasion so extraordinary. No one had questioned either his integrity or his patriotism, and he was unwearying in his labors. To what extent his administration was unfavorably affected by the presidential fever, which raged with him to the end of his days, cannot be determined. It has been said that one reason why he so persistently advocated the establishing of the National banking system was because he believed the people would think more frequently and favorably of him as a presidential candidate. Statements and inferences of this nature can be more easily made than proved, and the above statement is not sustained by conclusive or even satisfactory evidence. The well-authenticated fact concerning his advocacy of the National banking system is, that if established, a large and ready market would be opened for Government bonds.

Fessenden, who succeeded Mr. Chase, was of a different type. He had served as chairman of the Finance Committee of the Senate since 18—, was familiar with the subsequent financial operations of the Government, and had the complete confidence of all. Of the purest private character, devoted to his country, not overconfident in his abilities, and desirous of knowing more, a better choice probably could not have been made. He accepted the office reluctantly, and though serving as Secretary only eight months rescued the Treasury Department from the grave disorder into which his predecessor had plunged it.

When he began his administration on the fifth of July, he found, so he said afterward, "his condition peculiarly embarrassing." The cash balance in the Treasury was \$18,842,558, and the unpaid requisitions were \$71,814,000. The amount of certificates of indebtedness outstanding was \$161,796,000. The daily expenditures exceeded two millions and a-quarter. The larger portion of unpaid

requisitions was for pay to the army, which would be increased over fifty millions on the first of September. How were these obligations, beside others accruing daily, to be met? From customs he could expect no substantial aid, for all the revenue coming from that source would be needed to pay interest on the bonds that had been, or soon would be, issued. The amount of internal revenue, however, had been steadily increasing from month to month, reaching nearly \$15,000,000 for June. The Secretary confidently hoped for a daily average of three-quarters of a million from this source during the succeeding months. "But this hope, if realized, would still leave him with a very large deficiency, to meet which, in part, he might issue certificates of indebtedness to public creditors. It was desirable, however, to avoid, could other means be found, increasing the amount of these securities." He could have recourse to the power conferred by an act passed on the last day of the former fiscal year. That act authorized a loan of \$400,000,000, for which bonds could be issued redeemable after five or within thirty or forty years as the Secretary might determine. They were to bear six per cent. interest payable in coin. He could issue, however, in lieu of half this amount of bonds \$200,000,000 in Treasury notes of any denomination not less than \$10, payable at any time not exceeding three years, or if thought more expedient, redeemable at any time after three years from date, and bearing interest not exceeding seven and three-tenths per cent. per annum, payable in lawful money at maturity, or, at the discretion of the Secretary, semi-annually. These notes could be sold by him on the best terms obtainable, and those made payable, principal and interest at maturity were to "be a legal tender to the same extent as United States notes for their face value, excluding interest." They were to be convertible, at the discretion of the Secretary, into any bonds issued under the act, and might be substituted in lieu of any notes of the Government which might be redeemed and canceled. By this act the Secretary was also authorized to sell any five-twenty bonds remaining unsold, authorized by previous acts, and to receive in payment lawful money, or, at his discretion, Treasury notes, certificates of indebtedness or certificates of deposit. As \$62,191,400 of Treasury notes, issued under other acts, had been redeemed and canceled, these could be replaced in addition to the \$200,000,000 of Treasury notes just mentioned. Finally he had authority under the act of March 3, 1863, to borrow \$160,063,220, the remainder of the nine hundred million loan.

The Secretary was determined to issue no more legal-tender notes if he could obtain means in any other way. "Flushed as the money market was with circulation, sufficiently, at least, to meet the necessities of business, he was anxious, if possible," to use his own words, "to avoid so doubtful an expedient." The prospect of negoti-



ating a loan in the ordinary way was by no means flattering, as the notice for a loan of thirty-three millions, advertised on the twenty-fifth day of June had been withdrawn on the second of July, the Secretary having reason to believe that such loan would not be taken on terms which it would be for the interest of the Government to accept.

Mr. Fessenden then sought to borrow \$50,000,000 of the banks in New York, Philadelphia and Boston, on the pledge of bonds and notes which he had authority to issue. He met the representatives of a large number of banks, but, notwithstanding "a real desire to aid the Government," they were not able to furnish the assistance required on terms which the Secretary could accept. The only alternative was, "to issue legal-tender notes to a very large amount, or again advertise for a loan." "He had no hesitation," he says in his annual report, "as to which course should be adopted." Accordingly, on the twenty-fifth of July he issued proposals for a National loan, the lenders to receive Treasury notes payable in three years with semi-annual interest at seven and three-tenths per cent. in lawful money. "He incurred a considerable expense in advertising this loan, believing that it should be as widely diffused and as generally understood as possible, and offered liberal inducements to stimulate the efforts of corporations and individuals to dispose of the notes." His success was not as great as he expected, for the reason mainly that other National securities were pressing on the market which were preferred by investors.

The amount of suspended requisitions had swelled to more than \$130,000,000. A large sum was due to the soldiers who "were suffering from the long delay in satisfying their just claims." The Secretary was resolved "to use all the means at his command to pay at least" this class of creditors. Many of them through the paymasters had expressed a wish to receive seven-thirty notes of small denominations in payment. They were taken to a large amount, the soldiers in many instances also expressing satisfaction because they were able to thus aid the country by loaning money to it. The amount of notes paid to the soldiers at this time exceeded \$20,000,000.

Once more the Secretary endeavored to sell bonds. He offered those which Secretary Chase had advertised on the twenty-fifth of June, and not finding purchasers at satisfactory prices, had withdrawn. The amount was \$32,459,700. The public were now ready to take them, bids reached nearly \$70,000,000, and the premium offered was four per cent. and in some cases even higher.

Encouraged by this success, the Secretary on the first of October, advertised for another loan of \$40,000,000 of five-twenty bonds issued under the June act of '64. At that time the money market was in a feverish condition, arising from violent fluctuations in gold

and other causes, and serious doubts were entertained whether acceptable offers would be made. "Under these circumstances, and with the hope of affecting favorably the market price of certificates of indebtedness which had become somewhat depressed by the large amount to which the issue had been necessarily increased, the Secretary decided to receive one-fourth of the subscription in these securities. The result was that bids were received amounting to nearly \$60,000,000, and the whole amount offered was taken at a rate above par, and averaging to the Government a fraction less than one per centum."

Although Secretary Fessenden had been successful in raising money to sustain the Government, he was heavily weighted with anxiety and trial. The National banks were dissatisfied, not with him, but with the law under which they were living. It was reported in November that the Secretary intended to recommend to Congress the payment of custom duties in legal-tender notes for the reason that such a policy would reduce both the price of gold and the public expenditures. His annual report was awaited with dreaded impatience, and especially an announcement of the issue of more legal-tender notes. Many persons feared the results of such a policy. They were bold in declaring that the country would suffer less by the sale of bonds at seventy-five cents on the dollar than by more dilution of the currency, and the raising of the price of gold and other commodities.

The Secretary, in his report, declared that it was difficult to fix on any policy not subject to the contingencies of the hour. It was, in his judgment, not only difficult, but impossible, to apply fixed rules to a condition of affairs constantly changing, or to meet contingencies which no human wisdom could foresee, by a steady application of general laws, especially in a government, and with a people where public opinion was the controlling element, and that opinion was not under the direction of those who might happen to administer public affairs. Mr. Fessenden also maintained that a wide discretion should be entrusted to the officer charged with the duty of negotiating loans, in order that he might be enabled to avoid unexpected difficulties occasioned by possible conditions of the money market. This duty must necessarily be intrusted to somebody, and the people could have no other reliable security for faithfulness than might be found in the established character of the individual charged with so important a trust, whoever he might be. "The discretion thus confided should, in the opinion of the Secretary, include the power of increasing the currency." He declared that to no individual would any considerable addition to the circulation, in any form, be more objectionable than to himself, and "no one would resort to such a measure, when the circulation was adequate to the wants of business, with more reluctance." He did

not believe that a patriotic people, possessed of ample means, would compel him to adopt a measure so fraught with injurious consequences as an issue of paper money beyond the limit thus prescribed. It was, however, for the people to determine whether the necessary means should be furnished by way of loan, and the circulation be restrained within safe limits, or whether they would prefer to endure the evils of exorbitant prices, with a loss of credit in the present, and a debt of needless magnitude entailed on the future.

The Secretary did not recommend a change of the law requiring duties on imports to be paid in coin, but inasmuch as the probable supply of it would be insufficient to pay the interest in coin on a much larger amount of securities than already existed, he was forced to the conclusion that the Government in the future must rely, for the most part, on securities bearing interest in currency, convertible into bonds bearing interest payable in coin. The annual coin interest at that time exceeded fifty-six millions. In the Secretary's judgment, notes bearing an increased rate of interest payable in currency, redeemable in three or five years, and convertible at maturity into five-twenty bonds, would be preferable to any other form of security. Bonds at long date, bearing interest payable in currency at the usual rates, would be less attractive, and in the end involve a much greater sacrifice. The seven-thirty notes authorized by the Act of the previous June presented as many advantages as any form of currency security, uniting, as they did, a high rate of interest with convertibility. The Secretary, therefore, made known plainly his intention to issue seven-thirty notes, unless Congress provided other ways of getting money.

On the 10th of December Mr. Fessenden gave notice that the Treasury department was ready to pay in lawful money, or by conversion into bonds, the three years' Treasury notes issued under the law of July, 1861. They were duly converted into other notes and bonds. No notes of later issue became due until after the close of the war. The Secretary negotiated a twenty-five million loan with the banks of New York City in December, which subjected him to unfavorable criticism. It was maintained that the negotiation ought to have been public, and all capitalists have had an opportunity to make bids. Having been re-elected to the Senate, he determined to leave the Treasury by the 5th of March, and this determination unfavorably affected the latter part of his administration. It was felt that his course was less clearly determined because of his intention to retire from the Treasury office. By the issue of seven-thirty notes, the revenue from taxes, and the sale of bonds, he was able to meet all pecuniary obligations. The revenue from internal sources was now very large, and greatly strengthened the credit of the Government. The people, after three years of doubting, had

learned more perfectly the measure of their capacity to pay taxes for carrying on the war.

On the third of March, 1865, the Secretary was authorized to borrow \$600,000,000, and to issue bonds or interest-bearing Treasury notes therefor. He could determine whether to pay the interest in coin at the rate of six per cent., or in currency at seven and three-tenths per cent. interest. The bonds were to be redeemable after five years, and the Treasury notes were to "be made redeemable or payable at such periods as in the opinion of the Secretary of the Treasury" might be deemed expedient.

Hugh McCulloch, who had been previously serving as Comptroller of the Currency, succeeded Fessenden at the beginning of President Lincoln's second administration. During the month of March he issued \$70,000,000 of three years' Treasury notes bearing interest payable in currency, and convertible at maturity, if the holders desired, into five-twenty bonds. In April, Richmond was captured, and soon after the confederate armies surrendered. The Secretary knew that these events would be followed by the early disbanding of the Union armies, and by heavy requisitions for transportation, pay and bounties. How he raised the money cannot be told in a better way than by himself. "As it was important that these requisitions should be promptly met, and especially important that not a soldier should remain in the service a single day for want of means to pay him, the Secretary perceived the necessity of realizing, as speedily as possible the amount—\$530,000,000—still authorized to be borrowed under the March Act of 1865. The seven and three-tenths notes had proved to be a popular loan, and although a security on longer time and lower interest would have been advantageous to the Government, the Secretary considered it advisable, under the circumstances, to continue to offer these notes to the public, and to avail himself as his immediate predecessors had done, of the services of Jay Cooke in the sale of them. The result was in the highest degree satisfactory. By the admirable skill and energy of the agent, and the hearty co-operation of the National banks, these notes were distributed in every part of the northern and some parts of the southern States, and placed within the reach of every person desiring to invest in them. No loan ever offered in the United States, notwithstanding the large amount of Government securities previously taken by the people, was so promptly subscribed for as this. Before the first of August the entire amount had been taken, and the Secretary had the unexpected satisfaction of being able, with the receipts from the customs and the internal revenue, and a small increase of the temporary loan, to meet all the requisitions." On \$230,000,000 of the notes issued the Government had the option of paying six per cent. interest in coin, instead of seven and three-tenths in currency. The Secretary

reserved this option, "because he indulged the hope that before their maturity specie payments would be restored, and because six per cent. in coin is as high a rate of interest as the Government should pay on any of its obligations."

Our imperiled Union, therefore, had emerged from the dreadful contest not only with increased honor and political strength, but with restored National credit. By thus obtaining voluntarily from the people more than \$500,000,000 in three months—an event then unique in the history of National borrowing—a successful public application had been made for the first time of the familiar personal doctrine, that by spending wisely our riches are increased.

Such, in brief is a history of the loans authorized and negotiated for maintaining the Government during the war. The principal Acts authorizing loans beside the legal-tender notes were passed February 25, 1862, which authorized \$500,000,000 of bonds, the \$900,000,000 loan Act of March 3, 1863; the \$400,000,000 loan Act of March 3, 1863; the \$400,000,000 Act of June 30, 1864, and the \$600,000,000 Act of March 3, 1865. There were other Acts, as already mentioned, but these five contained the authority for making the great loans of the war.

Since the beginning of the special session of Congress in 1861, said Mr. McCulloch, in his first annual report, the most important subject which had demanded and received the attention of Congress had been that of providing the means to prosecute the war; and the success of the Government in raising money was evidence of the wisdom of the measures devised for that purpose, as well as of the loyalty of the people and the resources of the country. No nation within the same period had ever borrowed so largely, or with so much facility.

#### STATISTICS OF THE NEW YORK TRUST COMPANIES.

American Loan and Trust Co.	\$ 500,000	. \$ 100	. 3	.. Jan., '85, new.	106	. 108
New York Life Ins. & Trust..	1,000,000	. 100	. 10	.. Feb., 1885....	490	. 500
United States.....	2,000,000	. 100	. 12½	.. Jan., 1885....	480	. 500
Farmers' Loan and Trust....	1,000,000	. 25	. 5	.. Qr., Feb., 1885	405	. 420
Central.....	1,000,000	. 100	. 5	.. Jan., 1885....	290	. 300
Union.....	1,000,000	. 100	. 2½	.. Qr., Jan., 1885	328	. 340
Equitable.....	1,500,000	. 100	. 3½	.. March, 1878...	—	. —
R. E. mortgage bonds.....	4,700,000	. 1,000	. 3½	.. August, 1884...	100	. —
Mercantile.....	2,000,000	. 100	. 4	.. Jan., 1885....	135	. 140
R. E. mortgage bonds.....	2,500,950	. 1,000	. 3½	.. August, 1883...	99	. —
Metropolitan Trust Co.....	1,000,000	. 100	. —	.. New.....	105	. 115
Real Estate.....	500,000	. 100	. 3½	.. 1875.....	—	. —
Brooklyn.....	600,000	. 25	. 5	.. Jan., 1885....	202	. 208
Knickerbocker.....	300,000	. 100	. —	.. New.....	100	. 105

## MONEY—INSTRUMENTS OF EXCHANGE AND BARTER FROM THE EARLIEST TIMES.

It is likely that even the primeval man who dwelt in caves, dragging his prey thither and leaving its bones scattered above his lair, for his own to mingle with in due time, hunter and hunted joined at length in the same ghastly burial, had his own rude system of traffic and commercial interchange. Perhaps he gave his fellow a part of a deer which he had brought down in the forest with flint missile attached to a thong, in exchange for a fish which his fellow had caught with a spear made of reed, and tipped with a sharpened bone. If the one grew tired of hunting and the other of fishing, they might barter implements as a prelude to the exchange of employments. So far as is known, they had little raiment and few ornaments, so that their commercial dispositions would have lacked these important elements to act upon; but there is no reason why they should not have driven a thriving trade in the skins, which were the more permanent portion of the spoil of their hunting expeditions, and the rude weapons, stone implements, and carved bones of wild animals, in which their first essays of artistic and mechanical ingenuity were made. Indeed, M. Boucher de Perthes, Mr. Charles Rau, and others learned in the ways of Troglodytes, affirm the probability that such commercial customs did, in fact, prevail among them.

Skins of wild animals cured constituted one of the earliest forms of currency known, and while employed in the most ancient times, are not yet disused in some portions of the world. Such a medium seems appropriate among those who subsist by the chase, as all primeval peoples must in some degree, and it is not, therefore, surprising to find that in the transactions of the Hudson Bay Company with the Indians, the unit of value by which the price of other articles is reckoned is the beaver skin. Attempts at a bidermatic currency, which should likewise include the skins of otters, may have been made among these conservative aborigines, but if so, they have always failed. Other skins, it is true, as well as those of the marten, the Arctic fox, and many others, pass readily in that northern commerce, but their ratio of value is conscientiously determined by the beaver skin. Pastoral people employ similarly the skins of tame animals, originally delivering the entire skin, a cumbersome process, deficient in convenience and economy, but finally employing a small disk cut from the leather as a representative of its value. Live stock is also widely employed, as it has been since the days of Abraham, and though a rude, is still a substantially uniform, denominator of value. The Greeks stamped the image of an ox on a piece of leather, and the image had thence the current value of the animal represented. In the East, the camel, the ass and the sheep have been, ever since they were subdued to the uses of mankind, employed to reckon possessions or determine the amount of tribute or marriage portions. In Lapland, and some portions of Sweden and Norway, the amount of wealth possessed by a person is denominated in reindeer. Among the Tartars the number of mares similarly determines the opulence of their possessors. Among

the Esquimaux it is customary to speak of one another as worth so many dogs.

Slaves have been employed to determine ratios of value since the state of bondage was first established among men. In New Guinea the slave is still the unit by which the value of other possessions is recorded, as he used to be among the Portuguese traders of the Gold Coast. Among barbarous tribes we may conjecture that their earliest commercial essays would be in the exchange of fruits, nuts, and such simple and primitive articles as they were able to manufacture. One would exchange cocoanuts for a stone pestle; another a rudely-woven mat for a bunch of feathers. After a time some article would naturally be found more convenient than others, and would thus be employed as a common standard and instrument of interchange. The Portuguese found small mats called libongoes, valued at about  $1\frac{1}{2}$  pence each, employed as currency on the African coast, and bunches of red feathers serve by their comparative stability to mark the fluctuations of yams and breech-clouts in some of the tropical islands of the Pacific. Some tribes of North American Indians found wampum as useful in their rather limited mercantile transactions as the merchants of South Street or Burling Slip find greenbacks or bills of exchange. The over-prudent chiefs of the Wampanoags, Pequots, and Narragansetts hoarded it until its value was lost, as some patriots of a century ago, more frugal than wise, hoarded continental money. In its time, however, it held a respectable local rank as currency, and the early authorities of Massachusetts ordained that in limited amounts it should constitute a legal tender. Cowry shells are still extensively used in East India, Siam, and among some of the islands of the Indian Archipelago. Among the Fijians, whales' teeth pass readily from hand to hand, effecting all necessary interchanges, the red teeth being taken at about twenty times the value of the white ones.

Ornaments of all kinds have in all times constituted measures of value. In Egypt, Phœnicia, Etruria, and many other ancient countries, as well as in Ireland and Northumbria, rings have been found which were designed to serve the double purpose of ornament and currency, and the same dual function may be ascribed to the anklets, armlets and ear-rings which are worn throughout British India, Persia, Egypt and Abyssinia. The Goths and Celts fashioned their rings of thick golden wire wound in spirals, from which various lengths could be broken to accommodate the varying needs of traffic. Gold chains have been similarly employed. In many countries golden beads are yet hoarded, worn and circulated, fulfilling thus the triple functions of money, inasmuch as they constitute at once a store of value, a standard of value and an instrument of exchange. Amber was used as currency by the savage races of the Baltic in the period of the Roman dominion, as it still is in some of the regions of the East. The Egyptian scarabee carved on sard or nephrite, or other precious stones, circulated freely throughout the Mediterranean coasts and islands probably before the first Phœnician coin was impressed, and engraved gems and precious stones were employed to transfer wealth as well from one country to another as from hand to hand, until a comparatively recent period. In Africa, ivory tusks pass to and fro in the processes of trade, rudely defining the ratio of value of other articles. Among the Tartars, bricks of tea, or cubes of that herb pressed into a solid form pass from hand to hand as freely as beaver skins do at the trading posts of Hudson Bay or the Saskatchewan. Among the

Malagasans the only currency entirely equal to the requirements of trade consists of rough hardware, such as hoes, shovels, and the like. Pieces of cotton cloth of a fixed length, called Guinea cloth, for a long period constituted the unit of value in Senegal, Abyssinia, Mexico, Peru, Siberia, and some of the islands of the Pacific Ocean. In Sumatra, cubes of beeswax of a fixed weight; in Scotland, hand-made nails; in Switzerland, eggs; in Newfoundland, dried codfish; in Virginia, tobacco; in Yucatan, coconuts; in the Greek Islands and the Levant, olive oil; in the regions of the Upper Nile, salt, have all, at one time or another, served the purposes of commercial interchange. In agricultural countries it is not strange that corn should have early been adopted as a measure of value. The leases of the great school foundations of Britain—Cambridge, Oxford and Eton, with probably many others—were “corn leases,” that is, specifying that the rental should consist of so many quarters of corn. Compared with gold, that product has steadily advanced in value for centuries, so that the schools have been the gainer by the wisdom of their founders. In Norway, corn is deposited in banks, and lent and borrowed on time or call loans, as money is with us. In Central America and Mexico maize was long employed to serve the uses of currency.

Lycurgus established an iron coinage for Lacedæmon, not only making the coins of such weight and bulk as to forbid their export, but depriving them of their metallic value by causing them while heated to be plunged into vinegar, thereby destroying their malleability. During the continuance of this coinage Sparta enjoyed a respite from the solicitations of peddlers, and the importunities of strolling minstrels, players, sophists, and fortune-tellers, to whom its citizens had before parted with quantities of their spare cash. While the peddler might have carried his own wares easily enough, it would have taken an elephant to bring back the legal tender for which he exchanged them. No minstrel would uplift his voice, and no sophist pipe his shrill fallacy by the wayside, when the guerdon of song and sophism could be naught less perilous than a shower of iron half-pence of the size of quoits; and even the robust fortune-teller of antiquity, who is said sometimes to have alternated the functions of divination with those of robbery, would not have been eager to forecast the future of a people who crossed his palm with a 56-pound weight. In the time of Homer, according to Mr. Gladstone, iron was more valuable than copper, though less valuable than silver and gold, which held the same relative rank that they do now, and which they have substantially maintained throughout the entire historic period. It was, therefore, employed as copper, bronze, and nickel now are, in the form, however, of spikes and ingots, as a subsidiary currency to the two former metals. In Japan and, as we have mentioned, in Scotland, it once circulated in various small convenient forms as the acknowledged unit of value. In some portions of Africa its value by weight has frequently exceeded that of gold, though such a reversal of the ordinary ratios of value would, of course, be local and transitory.

In New England, in the early colonial days, leaden bullets were employed to indicate value, and that metal is still coined and circulated in Burmah. Pewter has often been coined, and in many countries, though not to the same extent as tin. In fact tin coins are not only of immense antiquity, but their impress has been sanctioned by Government authority down to a recent period. The Phœnician mariners freighted their galleys with the tin of Britain



before Carthage was founded, and coins of the same oiled the wheels of commerce in the marts of Tyre and Sidon before Solomon built the temple at Jerusalem. In England as late as the period of William and Mary tin half-pence and farthings were struck, though they failed to become a permanent part of the circulation. In numismatical collections, series of tin coins stamped with the effigy and legend of several of the Roman Emperors are abundant. In Java as well as Mexico tin coins were once current, and the metal, measured by weight, is still a sort of legal tender in the Straits of Malacca.

In all civilized countries, however, gold, silver and copper have always constituted the main elements of coinage and the most familiar forms of currency. The ratio of value between the first two has probably varied less during the last 2,500 years than that between any other known substances. Copper has fluctuated more, but its function has always been subsidiary and limited to small transactions. In the hierarchy of the metals used as coins, gold may represent the king, silver the lord, and copper the slave. The latter is now practically emancipated, bronze and nickel taking its place. Indium, osmium and palladium have been proposed as substitutes for gold, and aluminium and manganese for silver, but without any practical result thus far. Platinum, which is mainly found in the Ural Mountains, has been coined to some extent by the Russian Government; but, although a beautiful and valuable metal, possessing many of the qualities to render it acceptable as coin, its employment as money has been found to be impracticable.

Great numbers of alloys have been employed in coinage, and indeed it may be said that almost the entire system of metallic currency throughout the world is composed of alloys. The Tuscan sequin, the purest coin known in history, contained 999 parts of gold in 1,000. The 6-ducat piece of Naples was next in purity, having only an alloy of 4, while old Byzantine coins called bezants contained an alloy of 14 parts in 1,000. Pure gold and silver, however, are soft metals, and untempered by others, are subject to serious loss by abrasion. They are, therefore, rendered more useful by the admixture of a small portion of copper, which, in the English system, in the case of gold, may be expressed decimally by 916.66, and of silver, 925 parts in 1,000. Nickel is usually alloyed with three parts of copper, and it is noteworthy that its adoption as a subsidiary coinage in Germany, coincident with the demonetization of silver, caused it to advance rapidly in price, while the latter was as rapidly declining. The old Roman *as* was made of the mixed metal called *as*, a compound of copper and tin, and in quality and value not unlike. Brass was also extensively used from the time of Hiram of Tyre to that of the Emperor Otho. The old Kings of Northumbria coined a small money called *stycas* out of a natural alloy, composed of copper, zinc, gold, silver, lead and tin, which the metallurgists of that rude northern coast had not enough chemical skill to separate.

While the iron coins of Lycurgus already referred to were the largest of which historic mention is made, the Portuguese *rei*, too small to be actually coined, is doubtless the smallest unit of value in the money systems of the world. It is only about the nineteenth part of an English penny, and is considerably smaller than the Chinese cash, which, of actual coins, is perhaps of the lowest value known. In Sweden, during the last century, huge squares of copper weighing between three and four pounds, with a stamp in each

corner and in the center, were issued as coin, and curious specimens of them may still be seen in numismatical collections. These, with the Maunday money, a small portion of which is still annually struck at the British Mint and distributed by her Majesty in alms, probably represent the extremest variation of dimensions known among modern systems of coinage, the smallest piece of the Maunday money being a silver penny.

The effort to fix the relative value of metals by legislation has never been successful. In 1177 Sir Isaac Newton, then Master of the English Mint, made a celebrated report, recommending that Government should revive a disused decree, and fix the price of the guinea at 21 shillings. As, according to the ratio between the metals at that time, gold was by this means a trifle over-valued, it followed that the full-weight silver coin went rapidly out of circulation. Precisely the opposite result followed the attempt to fix the relative price of metals during the French revolution, silver having, in this case, been over-valued, and gold driven out of circulation, into which it did not again enter until the discoveries in California and Australia had depressed its price, when it came rapidly in again, and the old silver *icus* or five-franc pieces were in their turn retired.

Legislative decrees, that in a fixed proportion one thing shall always equal another in value, though they may work the most wide-reaching injury to the prosperity of a country, are as powerless to establish such equality as the Pope's bull against the comet was to arrest the unwelcome siderial manifestations of that luminary. To enact by law the over-valuation of one metal in its relation with another, is to drive the other out of circulation and out of the country. Sir Thomas Gresham discovered, three centuries ago, that bad money always drives out good money; the less valuable banishes from circulation the more valuable. If our legislators had a little of the sense and wisdom of this old British merchant, whose theorem bids fair to outlast the Royal Exchange which he founded, and even the memory of the illustrious Virgin Queen in whose reign it was reared and in honor of whom it was named, it would be well for the country and well for their future reputations. That old worthy knew that it was not possible by decree to change the operation of natural laws, but he knew also, and informed his sovereign and countrymen, that enormous injury to the State might result from the attempt to do so. Judge David Davis had a good chance to make a similar revelation to his Illinois neighbors the other day, of which, however, to the regret of many of his admirers, he did not avail himself. It is even possible that he may live to regret it himself.

The tendency of the time, among the superior commercial nations, is undoubtedly toward the establishment of a single gold standard. It is even adopted or in process of adoption among some nations of the second rank like Brazil, Egypt and Japan, while the silver standard is maintained beyond any human prospect of change among the inert and unprogressive peoples of the world, who constitute as they bid fair to do throughout all time, the immense majority of mankind. The steady demand for silver which exists in China, British India, and Russia, among an aggregate of people exceeding 900,000,000, or about three-fourths of the human race, a demand which can in no conceivable case be seriously diminished or intermitted, may be trusted to redress any fluctuation in the value of that metal proceeding from transient or local causes.

There is not much doubt that it will in no long time find and preserve with sufficient steadiness the ratio of value which it possessed before its demonetization in Germany and other Continental States, and the sudden augmentation of its supply through the extraordinary yield of the Colorado mines. But that is no reason why a law should be passed marking up its price. It will be time enough to mark it up when it goes up.

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### SPECIAL CAPITAL IN BUSINESS.

The special Act incorporating the Boston Limited Partnership Company, says the Boston *Commercial Bulletin*, is a piece of unique legislation; it will rank with the statute governing our Massachusetts loan and trust companies.

There is no precedent for such a company, and authorities differ as to whether it should be considered a business or a moneyed corporation. The idea of such employment of capital as this company proposes originated in the fertile brain of one of our well-known Boston merchants, at a time immediately after the great fire of '72, when so many firms were crippled by insurance losses. The present statute concerning limited partnerships was passed at that time, with the intent of aiding such firms, and although the corporation scheme, substantially as now proposed, was then pushed, its proposals were too novel for adoption.

Much was hoped of the law as then passed, and as it now stands, in regard to limited partnerships, but very little has ever been realized. The amount of special capital invested in business to-day is insignificant. Capitalists are afraid of the old law and its technicalities. There are not a few instances where special partners have found themselves general partners, owing to some violation of the numerous legal requirements. The promoters of the limited partnership company—and they include the names of some of our best known merchants—are mindful of two things, viz., that special capital can be made to occupy a useful and a profitable field, as furnished and controlled by a corporation, where it has failed to do so when the opportunity is only open to individuals. The only peculiar privilege which they seek is sure exemption from general partnership liability. They must have this corner-stone of confidence, for it is mainly the lack of confidence which makes the general statute provision of so little avail.

There is always a demand for special capital from more or less firms doing a good business, and having all the active partners needed, but who could afford to pay handsomely for special capital for a limited period. The present cash basis requires more capital, at certain periods of the year, than when business was done on a six months' basis. The company will have a paid-in capital of \$200,000, and proposes to furnish sums not exceeding ten per cent. of its capital and surplus to any applicant, firm or corporation, after satisfying themselves by careful expert examination that the investment will prove a safe one. They will be permitted to make their own private terms for furnishing the desired special capital, but it will be specifically understood that capital so furnished, with any share of profits due for its use, shall remain at the risk of the busi-

ness in which it is employed, and shall be in no part withdrawn during the period contracted for.

The methods of executing and filing certificates will remain as under the general law. The whole plan is simply to empower a corporation to furnish special capital, as any individual may now do, under the general law, except that absolute immunity from the perils of general partnership is assured from the start.

The new company will operate only upon actually paid-in capital, and will not borrow funds. It will have no occasion for credit, and cannot incur any debts. Two years ago the same incorporation was asked for, but it was unexpectedly defeated on personal grounds. Last year it was defeated through misconception of its aims. The chances are favorable that success will crown the efforts of the incorporators this year, and that this novel corporation will enter upon a career of usefulness and success.

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### PHILADELPHIA BANKS.

The following account of the banks in Philadelphia is taken from *The Philadelphia Record*. We regret not having the space to re-publish it sooner. First may be mentioned the Philadelphia National Bank, which, for eighty years has maintained its place as one of the leading banks of Philadelphia. By persistent and faithful attention to legitimate banking it has attracted a constituency of merchants and business men second to none in the country, and it holds its customers by a reasonable liberality, as well as by its firmness in protecting their common interests. The latest official return made public shows its discount line, deposits and lawful money reserve in each case to be the largest in Philadelphia. The Philadelphia Bank was chartered March 5, 1804, as a State bank. The first charter of 1804 was for ten years; in 1806 it was extended to twenty years, and renewals took place in 1823 and 1836. It came finally under the general banking law of the State in 1857, but was again reorganized under the National banking law in 1861. Through all these changes it has paid dividends averaging over 9 per cent. per annum. It has now a surplus of \$900,000, and its discount and deposit lines are over \$6,000,000. Thomas Robins was President from 1852 to 1879, and B. B. Comegys cashier from 1851 to 1870. The latter, Vice-President from 1868, became in 1879 President. The most marked distinction has been given it by the long terms of Thomas Robins and B. B. Comegys in their respective offices.

The First National Bank of Philadelphia was the first bank chartered under the National Bank Act. Its capital is \$1,000,000; the surplus fund, \$500,000, and the deposits amount to \$6,500,000. George Philler is President, and Morton McMichael, Jr., Cashier.

The Bank of North America leads all the other banking institutions of this city in point of years, and has an honorable history connected with the early struggles of the country. In May, 1781, Congress by resolution authorized the incorporation of the company, and the stockholders formed an organization on November 1, 1781, Thomas Willing being chosen President. By December, \$85,000 in cash had been raised, and on December 31 an act was passed by

Congress, perpetually incorporating the subscribers under the name of "The President, Directors and Company of the Bank of North America." Operations were commenced on January 7, 1782. But doubts arising as to the validity of the charter granted by Congress, a charter was obtained from the State of Pennsylvania on March 25, 1782. The bank's operation speedily restored some degree of commercial confidence and rendered valuable assistance to the Government, the principal object of its formation, its discounts by July 1, 1783, amounting to \$820,000. By this aid the bank saved the public credit from utter ruin. In 1784 the capital was increased to \$830,000. This addition was prompted partly by the attempt to organize a rival in the proposed Bank of Pennsylvania. The charter has been from time to time renewed, the capital being restricted to \$1,000,000 in 1841, and in 1825 the present title was given to the bank. Its present capital is \$1,000,000, the surplus \$1,000,000, and the undivided profits, \$274,000. The Bank of North America was compelled by the action of the other banks to suspend specie payments during the panic of 1837, but declined to participate in the "Relief Act" of 1841, and at the beginning of 1842 had practically redeemed all its notes. Since that period it has advanced in prosperity, and is one of the most stable, as it is the oldest of the banking institutions of the city. The bank was allowed to retain its original chartered name—"The Bank of North America"—at the time of going under the National banking act, in consequence of its being originally chartered as such, all other banks being required to add the word "National."

The Western National Bank has been an institution of great influence for many years, and especially since the National banking system was established. It dates its origin back to 1832, and derives its name from the desire of its founders to accommodate the extreme western business of the city. In 1850 the bank was reorganized under the energetic management of Joseph Patterson, who has continued its president for more than forty years, and who is now the Dean Bank President in Philadelphia. Mr. Patterson was one of the organizers of the Clearing-house, January 28, 1858, and is its president. He was always a lover of order and good organization. He was an active and efficient supporter of the Government in its great trials during the rebellion, and his counsel and assistance were often sought by the authorities at Washington. No name is better remembered than his for patriotic and public-spirited movements during that time. Although the specific capital of the Western Bank is but \$400,000, it has a large surplus and a lawful money reserve of \$1,017,700, with a line of discounts as well as of deposits, indicating its large place in the business of the city. Mr. Patterson has on several occasions published brief expressions of his views on pending financial questions, the most recent of which being an impromptu speech made at the annual meeting of the American Banker's Association held at Saratoga, August 14, 1884, on Silver Coinage. Few persons in any pursuit have shown more interest in current public questions, while discharging important executive duties in the management of a large business institution. It has not been the policy with the best managed banks to enlarge the nominal capital, but to strengthen them by an ample reserve and to maintain a surplus as a greater security. The banks of New York City are on this point now following in a course originally established at Philadelphia.

The Centennial National Bank, located at Thirty-second and

Market Streets, at their intersection with Woodland and Lancaster Avenues, though one of the youngest of the banking institutions of Philadelphia, has in the few years of its existence, under its able and efficient management, taken an exceptionally high rank for stability and security. It was organized in January, 1876, and the Managers of the Centennial Exposition being in need of a financial agent this bank acted in that capacity, and from this circumstance derived its name. The Centennial Bank is not confined to supplying ordinary banking facilities to the public, but offers for rent safe-deposit boxes in safes that are as completely proof against the dangers of destruction by fire or the operations of burglars as it is possible for human ingenuity to construct. This institution has been selected as one of the fiscal agents of the Pennsylvania Railroad Company, and once a month the Centennial Bank presents an interesting sight. It has a special window, from which more than 5,000 employes of the Pennsylvania Railroad Company of various grades receive their monthly pay. Thus from this point every month hundreds of thousands of dollars circulate through the various arteries of trade in the city. Although in operation but nine years, this bank has already accumulated a surplus equal to 40 per cent. of its capital, besides paying handsome dividends to its stockholders.

The Keystone National Bank, is one of Philadelphia's younger banking institutions, yet it has achieved a high degree of success. It was organized as a State Bank in 1871, and was converted into a National Bank in August, 1875. In 1879 the bank was reorganized, and John C. Lucas was elected president. Since its present management assumed control, the prosperity of the Keystone has been very marked. The deposits, which in 1879 amounted to about \$180,000, have nearly reached the sum of \$1,000,000. At that time there was no surplus, but a surplus fund of \$70,000 has since been accumulated, while dividends have been paid regularly for the past two years, none having been paid for several years previous to 1882. The capital of the bank is \$200,000. The bank enjoys special facilities for collecting and transacting business generally, and solicits, and offers special inducements to, country banks to become its correspondents. The very great advance made by the bank since the accession of the present management gives abundant proof that its business is conducted with carefulness, prudence and energy.

The Farmers and Mechanics' National Bank is one of the oldest of Philadelphia's banks, standing third on the list. It was organized under articles of association on January 17, 1807, as the "Farmers and Mechanics' Bank of Philadelphia," the Bank of North America, organized in 1781, and the Philadelphia Bank, organized in 1803, alone of the existing banks antedating it. A charter was obtained from the Legislature in March, 1809, incorporating the bank with a capital of \$1,250,000. The Legislature stipulated that one-tenth part of the capital should be loaned to the farmers of the State if applied for on sufficient security by bonds, mortgage or note. For many years the bank occupied a building on its present lot, formerly known as the Lawrance Mansion, the reputed residence of Admiral Howe during the British occupancy of this city. The present handsome building was taken possession of and first used for banking purposes in 1854. This bank was organized as the Farmers and Mechanics' National Bank of Philadelphia on October 20, 1864. The capital of the Farmers and Mechanics' Bank is the largest bank capital in the city of Philadelphia, being

\$2,000,000, and the surplus of the bank is \$530,000. The Philadelphia Clearing-house Association on February 1, 1858, appointed the Farmers and Mechanics' Bank its agent, and this position it still holds. The bank was appointed on April 21, 1858, of the same year, Loan and Transfer Agent of the Commonwealth of Pennsylvania, and on February 10, 1872, it also received the appointment of Loan and Transfer Agent of the City of Philadelphia, both of which positions it continues to fill.

One of the most respectable of Philadelphia's banking institutions is the Penn National Bank. The Penn Bank celebrated its semi-centennial seven years ago, having been organized in November, 1827. It has, therefore, weathered all the severe financial storms that have swept over this country. Its first location was at Sixth and Callowhill Streets, but was subsequently removed to Sixth and Vine Streets, where it remained for many years, until September last, when it took possession of the handsome new and substantial granite building at Seventh and Market Streets. Its present site is of historical interest, being that on which stood the house occupied by Thomas Jefferson when he made the original draft of the Declaration of Independence. The house was erected in 1775, and removed in 1883 to make way for the present new bank building. The first President of the Penn Bank was Daniel H. Miller. He was succeeded by Elijah Dallett, Sr., who died in June, 1847. His son, Elijah Dallett Jr., was chosen his successor in July of the same year, and continued in the position until his death in December, 1876. In 1864 the bank was changed to a National Bank. Upon the death of Elijah Dallett, Jr., the board elected Thomas B. Stotesbury president, but he declined to retain the office permanently, and at the next election Gillies Dallett was chosen president. Mr. Dallett died in January of the present year. Thomas B. Stotesbury was then elected president, *pro tem*, declining a permanent election, and is now acting in that capacity. The capital of the bank is \$500,000, and the surplus \$100,000. The Penn has in its board of directors the two oldest bank directors in this city. Samuel Bispham has served continuously for fifty-four years, and William C. Ludwig has been complimented with a like service upward of forty years.

The Girard National Bank of Philadelphia is one of the oldest banking concerns of this city, and although now ranking among the strongest and most stable financial institutions of the country, has experienced a somewhat checkered career. When its present management assumed control its affairs were in a very unsatisfactory condition, but, thanks to an able and prudential administration, the prosperity of the bank has been established on a firm and solid basis. The capital is \$1,000,000, and the bank possesses a surplus of \$900,000. In addition to this there are undivided profits which swell the surplus to about \$1,000,000. Under the present administration, and since it became a National bank in 1864, it has paid a dividend of 12 per cent, besides earning the \$900,000 surplus. The building occupied by the Girard Bank was built for the First Bank of the United States in 1795, which was organized as a part of the grand financial scheme of Alexander Hamilton. The charter of the Bank of the United States expired on March 4, 1811, and Congress having, at the solicitations of the friends of the State banks, refused to renew it, the bank successfully closed up its business. Stephen Girard, resolving to turn his attention to banking, purchased the building in 1815, and started a bank on his own account. The present Girard Bank was chartered in 1832.

One of the most recent organizations under the National banking system is that of the Merchants' National Bank, which opened its doors for business in March, 1880, with a capital of \$600,000. This institution, although it has been but five years in business, completing its fifth year on the 23d of March, has met with great success, and takes its place to-day as one of the strongest and most popular banks in our city. Its latest statement, published March 10, shows a total deposit line of more than two and a-quarter million dollars, loans and discounts amounting to over two millions, and to the credit of surplus and undivided profits, \$139,000. The remarkable success of this bank is to be attributed to several very favorable circumstances. Its president, Mr. George H. Stuart, is a gentleman whose name has become a household word throughout our land and across the seas. Who that passed through the soul-stirring time of the late war can forget the service that Mr. Stuart rendered his country as President of the United States Christian Commission, devoting his time, that might have been occupied in amassing a fortune, to the needs of the sick and wounded soldiers in our armies? President Stuart's personal career as a merchant is a conspicuous feature in the history of Philadelphia, and his name is inseparably associated with the highest ideal of commercial enterprise and business integrity.

One of the best-known banks in the city is that of the Spring Garden Bank. It is managed by a conservative set of men, and the wisdom of their course is well illustrated by the continued prosperity and growth of that institution since it opened its doors for business in April, 1871. It was first located at the south-east corner of Spring Garden Street and Ridge Avenue, but the rapidly increasing business compelled it, in May, 1875, to seek its present commodious and beautiful quarters. The building is of marble, and is triangular shaped on the exterior, while the interior is shaped like a kite. It is furnished in solid mahogany, has a tiled floor, is equipped with the most approved safe deposit vaults, and is thoroughly fireproof. While it is located away from the busy marts of trade, it is especially useful to the business men of the old district of Spring Garden. Its success shows the need of a bank of its kind in that locality. There is not another bank within a mile of it. It started with a capital of \$50,000, while now it has a capital and surplus of \$300,000, and its deposits average more than \$1,500,000. Mr. Francis W. Kennedy, the president, succeeded his father, Thomas Kennedy, in the management of the concern on March 1, 1883, the latter having organized the bank. The down-town branch, on the south-west corner of Fourth and Chestnut Streets, was opened in July, 1879, and has proved a valuable adjunct to the business of the parent bank. It is admirably located, being close to all the great financial institutions of the city. The depositors and others who have business relations with the bank have found the down-town branch exceptionally handy for their purposes, and is connected with the bank by private telephone. A fair illustration of the increase of the business of this bank may be found in a comparative statement, showing the amount of deposits on hand on the first of every year for the past seven years, which is as follows: January, 1879, \$232,000; January, 1880, \$400,000; January, 1881, \$724,000; January, 1882, \$1,073,000; January, 1883, \$1,867,000; January, 1884, \$1,632,000; January, 1885, \$1,675,000.

The Commonwealth National Bank, as reorganized under the National system, was first incorporated under the Pennsylvania State



law of 1857, and began business in that year. It had a constituency of new business and social interests in the central and western part of the city. The president was Robert Morris, and Henry Grambo was cashier, the authorized capital \$500,000, and the location long occupied was 400 Chestnut Street. Business was successfully conducted at this locality from 1857 to 1875, when the bank offices were established at the south-west corner of Fourth and Walnut Streets, where it continues at the present time. As a large interest in the stock has at intervals fallen into the estates of decedents, the capital has not remained the same throughout, but for some years past it has stood at \$208,000. Mr. Morris was succeeded by C. F. Norton and E. P. Mitchell as president, but in 1872, H. N. Burroughs, then a director, was elected president, and Effingham Perot cashier, and their careful and energetic management has continued to the present time. The Commonwealth Bank has its full proportion of discounts, deposits and lawful money reserve, with \$187,000 circulation under the National banking laws. The bank has uniformly paid a dividend of six per cent., although the conditions of business have frequently been unfavorable since 1857. While not employing a large capital, the Commonwealth Bank has been judiciously and safely managed, with the fullest confidence of the public in the president and directors.

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### THE LATIN MONETARY UNION.

The Latin monetary union first took shape in virtue of a convention, dated December 23, 1865, between France, Italy, Belgium and Switzerland, to which convention Greece subsequently adhered, power having been reserved for the admission of other countries. Spain adopted, in 1868, a currency practically the same as that of the union, without actually becoming a member thereof. One or two minor States followed the wake of Spain. Moreover, all European countries, except the United Kingdom, have now decimalized their currency.

The convention of 1865 contemplated the unlimited coinage in all countries of the union of both gold and silver, with full legal-tender force throughout those countries. It should be noted that, as regards silver, this applied only to five-franc pieces, these being twenty-five grammes in weight, nine-tenths fine, which is also the standard fineness for gold coins, as against eleven-twelfths for gold in England. Coins of smaller denominations, viz., two francs or under, were to be 8.35-tenths fine, and coined on Government account only, a quota being fixed for each country, so as to give a circulation, calculated at a ratio of six francs, per head of the population, amounting to a total of 471,500,000 francs for the five countries, such smaller coins having legal-tender force only to the extent of fifty francs in any one payment.

At the time when the convention was signed, matters of metallic currency throughout Europe were under the influence of two parallel tendencies, the first tendency being toward the adoption of a universal metric standard of the French type, the second tendency toward a single standard, gold being generally favored for the purpose. The course of events after 1865 may be said to have rendered

these parallel tendencies convergent, although they have not as yet actually merged into one. In 1878 it was thought advisable to revise, consolidate and renew the convention, a fresh convention, dated November 5, of that year, being signed, to expire January 1, 1886, should notice to that effect have been given by one of the nations concerned before the end of the present year, or failing such notice to remain in force from year to year, subject to one year's notice.

Italy is generally credited with a settled intention not to let the present year run out without giving the necessary notice, while most of those who fear the effects of the disruption of the Latin union may have on the price of silver—and among them all who are interested in the keeping up of the rupee exchange—believe, or at any rate say, that the union is sure to be renewed.

A short retrospect of the chief monetary events since 1865, over and above those already alluded to, will supply some useful data for understanding the causes which have brought about important modifications in the 1865 convention, and now threaten to involve the repudiation of its original leading idea. The convention had scarcely been signed before Italy placed herself, in a measure, outside the pale of its operations, by instituting on May 1, 1866, a forced paper currency, which had sway for seventeen years, the resumption of specie payments throughout the peninsula having only begun in May, last year. That the convention was, nevertheless, beneficial to Italy, appears hardly doubtful; the coining of silver, concurrently with the unchallenged circulation it found in the other countries of the union, tending to alleviate the ill effects of a forced paper currency, as well as to somewhat check and steady the unfavorable rise in the foreign exchanges. Italy also found in the profits attending the issue of legal-tender silver coins occasional means of eking out her sometime scanty budgetary resources. Whether the other countries of the union might not have found it more to their own advantage to put in abeyance her rights under the convention, until such time as she returned to a metallic currency, this is no opportunity to inquire. In 1871, Germany determined upon a thorough reform of her currency, and, after due preliminaries, began under the law of July, 1873, the issuing of a new gold decimal coinage. At the same time she resolved to demonetize silver, and instituted those sales of her old silver thalers, which have been both severely criticized and strenuously advocated, and which she felt compelled to suspend after a time, owing to the steadily falling price of the silver having then entailed upon her a loss of some £3,000,000. The remaining stock of silver thalers is at present allowed to circulate as legal tender, but no coining of any silver money other than subsidiary coins is allowed by law. In this same year (1873) the United States adopted a single gold standard, and restricted the legal tender of silver dollars to five in any one payment. In 1873, also, the Scandinavian monetary union was formed, under which Denmark, Sweden and Norway established a single gold standard decimal coinage. Holland, likewise, in the year 1873 suspended the coining of silver.

It is scarcely to be wondered at that in the face of these antagonistic measures the Latin monetary union should have taken alarm, and should have resorted to corresponding precautions. Belgium at once, in that very year (1873), stopped the coinage of five-franc pieces, and France placed a limit upon the minting of them for the public. In 1874 the plan of apportioning a quota to each country of the union, a plan already in existence, as we have seen,

for subsidiary coins, was brought into force for five-franc pieces. Lastly, clause nine of the convention of November 5, 1878, declared that the coining of silver five-franc pieces should be entirely suspended until further agreement, Italy here again obtaining a respite to the extent of some 20,000,000 of francs of additional coinage.

In this provisional state things have remained since that time, the old proportion of  $15\frac{1}{2}$  silver to one gold, viz., 200 francs—40 five-franc pieces—to the kilo. of silver, and 155 twenty-five-franc pieces to the kilo. of gold, subsisting legally. Five-franc pieces, therefore, retain full legal-tender force within the limits of the union, and are good remittance, as possessed of such, to the countries belonging to it, as witness the price quoted for them in London in bullion brokers' lists, say, for instance, 3s. 11 $\frac{3}{4}$ d. on the first of the current month, giving a sterling parity of 25.33; the Paris check exchange, quoted on 'change on the same day, being 25.23 $\frac{1}{2}$ , while their value at the market price of silver bullion, 50 $\frac{1}{4}$ d. per ounce, standard, also on the same day, would only have been 39 $\frac{3}{4}$ d., corresponding to a sterling parity of 20.28 $\frac{1}{2}$ , at which no holder of them would think of selling them here.

Practically, however, silver five-franc pieces are hardly ever available for remittance, the tendency being to confine them within continental bank vaults, the Bank of France alone holding a stock of them amounting to over £40,000,000.

It would be outside the limits of the present notice to refer to the various international monetary conferences held in 1867, 1878, 1881, and 1882, or the committee of the House of Commons, appointed in 1876, "to inquire into the causes of the depreciation of silver, and the effect of such depreciation upon the exchange between India and England, as notwithstanding the many important discussions they gave birth to, and the interesting documents in which these discussions are embodied, no tangible results accrued from. Two of the more recent monetary events, contemporaneous with or posterior to the renewal of the Latin union in 1878, may, however, be recalled here, as they are considerable factors in forming an opinion as to the advisability, or otherwise, of its prolongation.

Firstly, the compulsory issue of 2,000,000 silver dollars monthly in the United States under the 1878 Bland Bill, an empirical currency nostrum to keep up the price of silver, which no theory, either of gold mono-metallism or of bimetallism, approves of.

Secondly, the negotiation, successfully completed, of a gold loan by Italy, preparatory to resuming specie payments, and with a supposed view to the ultimate, if not proximate, setting up of a gold standard.

It may also be noted that Austria issued in 1867 an 8-florin gold coin, exactly corresponding with the Latin union 20-franc piece, and admitted to circulation in the union. Spain, on the other hand, some years later coined gold 25-franc pieces to approximate the English sovereign. Lastly, it is also worthy of remark by those who wish to appreciate the various bearings of the question, that India is at present the only country having her mints open to the public for the unlimited coining of silver.—*Journal of the Institute of Bankers, London.*

## THE PROFITS OF GAS-MAKING.

A Senate committee of the New York Legislature has been investigating the New York City gas companies, and as these institutions exist everywhere, the facts here given will probably possess a general interest.

The Manhattan Gas Company was chartered in 1830, with a capital of \$500,000, \$320,000 of which was paid in, and the balance was returned in installments, presumably out of profits. In 1847 the capital was increased to \$1,000,000; in 1852, to \$2,000,000; in 1855, to \$4,000,000. The price charged for gas has pretty steadily declined from \$7 per thousand feet in 1836, to \$1.75 per thousand, the present price.

In 1874, the Manhattan Company made 377,500,000 cubic feet of gas, being at the rate of 10,352 feet per ton of coal used. The loss from leakage was 14.4 per cent; candle-power, 17.32. The cost of production, \$1.23 per 1,000 feet; selling-price, \$2.50. By-products brought \$143,257. The company declared, in 1875, 35 per cent. For several years past, the company has produced over 1,300,000,000 feet annually. The return per ton of coal has improved to 10,844 feet; the loss from leakage still averages over 14 per cent.; the candle-power has improved to about 19½, and the cost of manufacture at the meter has declined to about 66 cents, and in the holder to about 50 cents per 1,000 feet. The selling price for four years past has been \$2.25 per 1,000 feet. The dividends, 15 per cent., with an extra 10 per cent. when the company consolidated at the close of last year. The dividends for the past ten years have averaged over 21 per cent.

The New York Gas-Light Company was organized in 1823, with \$1,000,000 capital. In 1871 this was increased to \$4,000,000 by issuing four shares of new stock for one of old. "No cash was paid in." In the consolidation a few months ago, this company was put in at \$7,560,000. The works have now a daily capacity of 6,000,000 feet. The dividends paid were 20 per cent. in 1875, 10 per cent. in 1876 and 1877, 8 per cent. in 1878, 4 per cent. in 1879, 8 per cent. in 1880 and 1881, 10 per cent. in 1882 and 1883, 15 per cent. in 1884, average for 10 years, 10.3 per cent. In 1878 this company paid the Municipal Company \$300,000 for the right to make water-gas under the Tessie du Motay patents, and has since used water-gas, enriched by naphtha. In 1879 there was a war with the Mutual Company, (which also made a water-gas.)

The Municipal Company has been paying dividends at the rate of from 15 to 20 per cent. on its capital of \$3,000,000.

A few points of considerable interest have been brought out. The enormous increase of gas consumption and the more intelligent administration have reduced the cost of production in the past ten years from \$1.23 to about 45 cents per thousand feet, or a reduction of over 60 per cent. The cost to consumers in the same time was reduced 10 per cent. The dividends and the value of the property were increased.

The companies that ten years ago denounced water-gas as highly dangerous to the public, and supported their absurd assertions by the reports of some of our well-known "professors," in order that

they might defeat the introduction and competition of cheap water-gas, having in a great measure succeeded in this object, quietly themselves commenced the manufacture and distribution of the "deadly water-gas" that they had so long denounced. There are few people, probably, who know the progress made in the introduction of water-gas in the past ten years. Most of the Pennsylvania cities, Baltimore, New York, and several of our other large eastern cities are now lighted to a great extent with an enriched water-gas; but the present enormous consumption will sink into insignificance when the cheap, unenriched water-gas is distributed for fuel. The success of the new incandescent fuel gas-light, to which we have already made references in these columns, promises to bring about this change soon. We may then expect to see our gas, costing consumers, say, 50 cents per 1,000 feet, used generally for fuel, and at the same time furnishing a better light than we now have. Of all investments now before the public, gas-making appears to be the most profitable and the least liable to loss.

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### ENGLISH BANKING PRACTICE.

The following paper was read by Thomas B. Moxon before the London Institute of Bankers :

#### COINS.

Our currency system is based upon the "sovereign," which contains  $113\frac{1}{8}$  grains of fine gold, weighs, including the alloy, 123.274 grains when of standard weight, and is a legal tender so long as it weighs not less than 122.5 grains.

Any person who chooses to take to the Mint bar gold of the value of £20,000 is entitled to have it returned to him in sovereigns, containing the exact amount of gold which he brought, but as the bank of England buys bar gold of standard purity or fineness at £3 17s. 9d. per ounce, in practice all bars are sold to the Bank, the loss of  $1\frac{1}{4}$ d. per ounce being just equivalent to the loss of interest and other expenses incident on passing gold through the Mint. The half-sovereign is exactly half of a sovereign, except that its least current weight is 61.125 grains, and it, with the gold coins issued by the Australian Mints at Sydney and Melbourne, are also legal tender here. The grains referred to are, of course, troy weight, of which 5,760 make a pound troy, and 7,000 a pound avoirdupois.

The silver subsidiary coinage is based upon the shilling, whose standard weight is 87.272 grains. The bronze coins are the penny, which should weigh on issue 145.833 grains, the halfpenny 87.500 grains, and the farthing 43.750 grains. Three new pennies weigh exactly an ounce avoirdupois, and a halfpenny is exactly an inch in diameter.

Our silver and bronze coins are termed token money, because they only represent certain fractions of a sovereign, and are not intrinsically worth what they represent, the country making a profit, called "Seigniorage," upon their issue. For instance, an ounce of silver, which can be bought for say 50s., is actually coined into 5 shillings and 1 sixpence, showing a profit of 1s. 4d. per ounce.

Gold coins are a legal tender for any amount, that is to say,

may be used to discharge any debt. Silver coins are only legal tender up to 40s., and bronze coins only up to a 1s.

#### BULLION.

Remittances from abroad are sometimes made in bullion, *i. e.*, precious metal of variable fineness, in bars, dust, or "groups," that is, mixed coins, medals, and morsels of gold. These are sent to a bullion broker who will, after assay and weighing, furnish an account sales, showing the weight, fineness, and money value of the remittance. If coin or bullion is sent by rail the railway companies will insure it for safe delivery at 1s. per cent. between any two stations in Great Britain, in addition to the usual charge for freight.

#### BANK NOTES.

*Bank of England Notes* are legal tender as well as our gold coins, so long as they do not exceed the amount of the debt to be paid, but no one is bound to give out change. They are not legal tender by the Bank of England or its branches, where sovereigns can be demanded, but not half-sovereigns or silver. All Bank of England notes are exchangeable into sovereigns at the London Office, but at a branch change can only be demanded for notes issued thereat.

*Country Bank Notes* are not a legal tender, and unless received for an antecedent debt, any loss arising from the failure of the issuers will rest upon the receiver, if there has been a reasonable time for him to have presented them for payment. Some country bankers when they receive them from customers stipulate that their clients shall not be discharged from responsibility for, say, ten days. If notes are forged, the receiver can undoubtedly reclaim their amount from the person who paid them to him.

*Foreign Bank Notes* should be treated as foreign bills, and sold through a broker. Australian notes are expressed in sterling but there is a heavy loss in realizing them here.

*Notes by Post.*—Full particulars of the number, date, place of issue, and denomination should be taken of every note sent by post, and unless orders are given to the contrary they should be cut in two and the halves sent by different mails, one letter at least being registered. If they are transmitted by the channel and in the manner indicated by a customer any loss that may arise will fall upon him.

*Lost Notes.*—If notes are lost, although the loser can recover them from the finder, yet if the finder has paid them away for value to any person, not aware that they are lost notes, the holder has a good title to them and the rightful owner cannot touch him. The finder whilst they are in his hands, has a good title against all the world except the loser.

*"Stopping" Bank Notes.*—In case of notes being lost they can be "stopped" by giving full particulars to the issuing bank, who thereafter, if the notes are presented for payment, will make inquiries as to the title of the presenter. If his answers are satisfactory, they are bound to pay the notes, and can only give the stopper information as to the circumstances under which they have been paid. When notes are stopped at the Bank of England the Bank makes a charge of 2s. 6d. for registering the stop.

*Half Notes.*—It is dangerous to make advances upon half notes, as the holder may have received them under conditions which he has not fulfilled, and in that case the sender can reclaim the halves already sent.

*Destroyed Notes.*—The value of notes that have been partially or wholly destroyed, can be recovered from the issuers, on satisfactory proof of the destruction and a full description of the notes being given. The issuers are, of course, entitled to a satisfactory guarantee in such a case. The Bank of England has its own forms for such indemnities.

#### CHECKS.

A check is an order *on a banker* for the payment on demand of a stated sum of sterling money. If the amount is described in a foreign currency a banker is not bound to pay the document, but, should he elect to do so, it is customary to convert the amount into sterling at the current rate of exchange at the place and on the day of payment.

All checks should be drawn on the forms furnished by the banker, as a protection against forgery, and it is an improvement to insert near the end of the check-book a printed order for a new one, for the customer to sign. It reminds him that he will require a new book soon and makes it more difficult for one to be improperly obtained.

*Number.*—Checks in books should bear a running number, the first and last number being noted in the Check Book Register, which is signed by the customer or his messenger when a new book is issued. If a check should turn up under suspicious circumstances it can then be ascertained from the register out of whose book it has been obtained. Many banks post checks to their customers' account by the number, not by the payee's name.

*Date.*—If a check is undated, I think the Bills of Exchange Act, 1882, impliedly entitles the holder to insert what he believes to be the true date, though no alteration of a date can be allowed unless initialed by the drawer. A check may be dated on a Sunday and if post-dated (*i. e.*, bearing a date after the day on which it was actually issued), it is valid even in the hands of a holder who took it knowingly and whether it be to bearer or to order. A banker paying a post-dated check incurs no penalty, but he cannot debit it before the day of its date to his customer's account, and meanwhile the customer may fail.

*Stale Checks.*—What length of time makes a check out of date depends entirely on the circumstances of each individual case. A check which had been outstanding twelve months would certainly be refused payment on that ground, but the drawer of a check is not discharged from liability upon it for six years unless he suffer loss by the delay in presentation, and then only to the extent of that loss.

*Drawee.*—The banker upon whom a check is drawn is under no obligation whatever to the payee or presenter of the check unless he chooses to incur one. His contract is with his customer alone and to him only is he accountable.

*Bearer or Order.*—Most checks are made payable to bearer or to order, but if these words are omitted, unless there are words prohibiting transfer, the check (or bill, or note) is still held to be payable to order. The payee, as well as the drawer, may alter a check from bearer to order, but only the drawer can alter an order check to bearer, in which case he must affix his initials to the alteration. In this, as in all other alterations to checks, every person who joins in the drawing of a check should initial any alteration. It is not sufficient that the secretary or other official should alone initial it. The Local Government Board will not allow any checks under their control to be made payable to bearer.

*Indorsements.*—A banker need not pay any attention to the indorsements of a check to bearer, but if it is to order he must see that it is properly indorsed, and that any special indorsements upon it are duly completed, although they are in a foreign language. A special indorsement is one in which an indorser orders payment to be made to the order of another party, who in his turn must indorse the check to complete the discharge. A blank indorsement is a simple signature without such an order.

An indorsement should be on the back of a check, but it may be upon the face.

If a check to order does not bear the name of a payee the drawer should indorse it; so he should if to the order of "self." If it is to the order of two or more persons, not being partners each and all of them should indorse, but bankers often are authorized to pay dividend warrants on the indorsement of any one of the payees. If the payee's name is wrongly spelled on the check, he should indorse it in the same manner, writing his usual signature beneath.

An indorsement in pencil is not illegal, but would generally be refused, as it might become illegible. An indorsement by an impressed stamp solely should be guaranteed by a banker, as it would be difficult to prove that it had been impressed by proper hands.

Although a check be payable to A B for credit of C D, or to A B of London, &c., &c., the indorsement should consist simply of the payee's name without any addition.

No titles of courtesy such as Mr., Esquire, &c., should be given in indorsements, and a check to Mr. A. Brown indorsed "Mr. A. Brown" would be refused payment, though a check to Dr. A. Brown would be paid if indorsed "A. Brown, M. D." Christian names need not be given in full in an indorsement; it is sufficient if the initials agree with the Christian names on the face of the check. A check to Messrs. Brown may be indorsed "J. & J. Brown," or "Brown & Co.," or "Browns." A check to Miss Smith, now married to Mr. Jones, may be indorsed "A. Jones, *nee* Smith." A check to Mrs. John Smith may be indorsed "M. A. Smith, wife of John Smith." If the payee cannot write he should make his mark in presence of a witness, thus:

his  
John X Smith,  
mark.

Witness, James Jones,  
243 East Street,  
London.

A check in favor of a man now deceased may be indorsed by his legal representatives. Any one administrator or executor can give a good discharge, but all trustees must join in an indorsement, whether trustees under a will, a deed, or an act of Parliament (as trustees in bankruptcy), the form being:

For J. Robinson,  
J. Green, an Executor.  
or for self and co-executors of J. Robinson,  
J. Green.

For J. Robinson,  
J. Green, } Trustees.  
T. Brown, }

A check to "The Dynamite Co." should be indorsed, "The Dynamite Co., J. Smith, Partner," or "per pro The Dynamite Co., J.



Green," and it is not requisite that Green should state his official connection with the company by adding secretary or manager, &c., &c., to his name.

An indorsement "per pro The Dynamite Co., Limited, per pro J. Green, secretary, A. Brown," is not a good discharge, because the holder of a procuration usually has no power to delegate his authority, and such an indorsement ought to be confirmed by a bank.

The signer of a procuration indorsement must give his full ordinary signature, not his bare initials.

Dividend warrants must always be signed by the actual person to whom they are payable. Procuration indorsements are not accepted on them under any circumstances.

Procuration indorsements are not accepted by Poor Law or School Board auditors, unless guaranteed by a bank.

Indorsements where "for" or "pro" is prefixed instead of "p.p." are not usually accepted, though there have been legal decisions in their favor, and even the indorsement of "S. & Co., per S. K., agent," has been decided to be a good discharge to the paying banker.

Though procuration indorsements are now accepted by all the banks in the United Kingdom, there is no legal compulsion to accept them, where it is considered desirable to have a confirmation.

If an agent indorses checks payable to his principal by procuration, without authority, and fraudulently places them to his own account, his bankers will be liable to refund the money they have received for such checks, unless, perhaps, they happen to be crossed checks when handed to the bank.

In place of indorsement by the payee a banker will sometimes write on a check "placed to the credit of payee with us. P. P. Central Bank. A Gill," but, though this guarantees that the money has got into the right hands, many banks refuse to accept such indorsements, unless prefixed by "Indorsed by order of and" &c. Checks, however, made payable to a company for a call are usually honored when indorsed "Received in payment of call and passed to credit of payees," the signature of the bank, of course, being attached.

A banker cannot demand a receipt on payment of a check to order when duly indorsed.

An indorser of a check guarantees the genuineness of it, and also its due payment, a transferor by simple delivery, without indorsement, only guarantees its genuineness, but as a banker usually acts simply as collector, he can charge his customers with any checks returned unpaid, whether indorsed or not, so long as he has not been guilty of laches (negligence).

All checks should bear the indorsement or name stamp of the firm paying them to the bank, but they should not be specially indorsed to the bank. It is much preferable that the customer should simply cross them with a stamp, thus "Ionian Bank a/c Green & Co.," and the bank will again, if necessary, cross them to their collecting agents.

Though the paying banker is absolved, should the apparently correct indorsement of a check prove to be a forgery, the banker who collected the check may be required to repay the money, unless the check were already crossed when it came into his hands, and were collected for a regular customer, not bought from a casual

one. Under any circumstances the person for whom he collected the money would be called upon to repay it.

*Amount to be paid.*—When words and figures differ, the banker may pay the amount in words, but usually such a check is returned with answer, "words and figures differ." Where it is clear what amount is intended to be paid, a check should not be returned because of a trivial omission, thus, twenty one four shillings and six pence should be paid as £21 4s. 6d. Customers often are careless in filling up checks, and by the use of pale ink, by disconnected words, by slovenly writing, and by the issue of checks to unknown individuals, offer facilities for fraud that unfortunately too often cause loss to the banker instead of to the customer. Perhaps the easiest amount to alter is eight pounds, which by the insertion of "y" in the words and "o" in the figures is converted into £80. The use of punches, "Under Ten Pounds," "Under Fifty Pounds," &c., &c., materially spoils the field for the forger. Where a check has to be drawn for the balance of an account, and the amount of interest is unknown, it should be filled up "the balance of my account, *Twenty* Pounds and accrued interest," leaving the figure space blank for the banker to fill in the correct amount.

*Drawer.*—A check should be signed to correspond exactly with the specimen signature in the banker's signature book, allowing for the usual abbreviations. It is not, however, essential that in any banking document the signature should be at the end of it. "I, John Jones, request" is perfectly good, if you can identify the writing as that of your customer, but all variations from the usual form should be discouraged.

The qualifications of agents as drawers of checks and bills will be dealt with under the head of accounts.

A check drawn by an illiterate drawer should be witnessed in the same way as an indorsement by mark. Such checks should always be executed at the bank, and, if possible, the witness should not be a bank official, certainly not the paying teller.

In case of sickness, the doctor should give a certificate that the customer is unable to write, but is of clear and understanding mind, and he and some other respectable person should witness the mark. It may be an advantage to obtain a receipt on the check from the person to whom money is paid.

If a customer is partially under the influence of alcohol, it is desirable, when possible, to have a witness to the signature of the check and the payment of the money.

*Forged Signatures.*—A forged check cannot, of course, be charged to a customer, but if the forgery is discovered the day the check is paid, and before the position of the person to whom it has been paid is altered, probably the money may be recovered from him, but after the day of payment there is no recourse against him.

If a forged check comes forward it is well to telegraph at once to the banker through whom it is presented, so as to nip the fraud in the bud.

*Stamps.*—Checks, for however small an amount they may be, must be stamped, either with an impressed penny stamp, a penny postage, or two halfpenny postage stamps. If unstamped when presented for payment, the banker can stamp them and deduct the penny from the amount to be paid, or charge it to his customer. Cheques drawn abroad may bear an impressed stamp.

Checks issued by industrial and provident societies, building societies and rural sanitary authorities require to be stamped, but

those of poor-law guardians and Government departments are exempt.

*Crossed Checks.*—The crossed check is an instrument peculiar to the United Kingdom, and is not recognized abroad. It is a check crossed on its face by two parallel transverse lines with or without the words "and Company," "Not negotiable," "Under ——— pounds," or the name of a banker without the parallel lines. The effect of the crossing is, that the banker upon whom the check is drawn is required to pay it only to some other banker, or if a particular bank is specified in the crossing, then only to that bank. Any holder may cross a cheque or convert a general crossing into a special crossing. If a check is crossed by two banks, unless it is clear that one of the two is acting as agent for the other, payment should be refused. In practice such checks are paid against an indemnity from the bank that receives the proceeds. If it is desired to cancel a crossing, the drawer, and he only, should write across the check "Pay cash," adding his signature or initials.

*"Not Negotiable" Checks.*—A *crossed* check bearing these words warns all holders that, if there is any flaw in the title to it the rightful owner may recover from whomsoever obtains cash for it. The bank that collects such a check for a customer is protected, though the customer himself may have to refund. The paying bank incurs no special liability on these checks.

*Presentment for Payment.*—No delay should be made in sending forward checks for payment, especially if they are to go through the Country Clearing. Legally, until the close of the first business day after the day of receipt is allowed to present them or send them forward, if they are sent direct, but if delayed longer any loss incurred will fall upon the person responsible for the delay. In practice, all checks which have to be sent by post are forwarded on the very day on which they are received. If it is desired to know early whether a check is paid or not, it should be sent direct to the drawees with request to them to advise its "fate." If a telegram is requested, only if unpaid, it is difficult to make sure of its payment until the close of the day, and hardly then. No checks presented through the London Clearing-house are absolutely paid until the end of the day, and the clearing London banks invariably present all checks through this channel, therefore a London check should be sent through some non-clearing correspondent if early advice of its fate is required.

Checks for large amounts, particularly if received from weak customers, or issued by weak drawers, may often advantageously be sent direct to the drawees for payment to agents in London. Such remittances should be attended to on the day of receipt, for though legally they may be retained until the day following, the remitting bank should advise its customer if it does not receive advice of payment in course of post. As a banker has no right to debit his customer with a check before the day he pays it, no matter when it is drawn, he incurs no loss by paying it over at once, and the courtesy of bankers to each other requires this prompt attention, which is rarely neglected.

[ TO BE CONTINUED. ]

## MONETARY PANICS.

*To the Editor of the BANKER'S MAGAZINE.*

In an article which was contributed, under the above title, to the *BANKER'S MAGAZINE* for April, reference is made to a letter of mine which was inserted in the number of October, 1884, and as it is evident that the author has failed to apprehend my views, I venture to offer a few further remarks on the subject. In view of the generally admitted fact that the Bank of England is the custodian of the National reserve, on which dependence must be placed for meeting the National liabilities, I had suggested a mode by which, during the prevalence of a monetary panic, that bank might be enabled to lend its assistance to the public in a more satisfactory manner than it was able to do during the three monetary panics which have occurred since the passage of the Bank Act of 1844. It is perhaps desirable that I should explain that when I refer to the Bank of England I mean the discount and deposit branch of that bank, which has been for upwards of forty years completely separated from the issue department, which is regulated by Act of Parliament, and which, after providing for a fixed issue on Government securities, prescribes that all issues in excess of that amount shall be on gold alone. I cited an opinion given by the present Lord Sherbrooke, then the Rt. Hon. Robert Lowe, Chancellor of the Exchequer, which I may observe is in strict accordance with that of the late Sir Robert Peel, and of the late Lord Overstone (Jones Loyd), which is as follows: "A mixed currency, composed partly of the precious metals and partly of paper, cannot be in a sound condition, unless it complies with the three following conditions: 1st. The paper must be convertible into coin on demand. 2d. Sufficient security must be held by the issuers to secure the payment of the notes. 3d. Mixed currency must be at all times of exactly the same amount, and consequently of the same value, as a purely metallic currency would be." There would probably be no difference of opinion among bankers on the first two propositions, but in regard to the third there would not be the same unanimity. It may be convenient that I should here state that I subscribe unreservedly to all the conditions described by Lord Sherbrooke. In the article in the *BANKER'S MAGAZINE* for April, the author refers to "the objections which we have urged so often against any scheme of an elastic paper money," and as I concur entirely with him in his objection to such issues I desire to correct an error into which he has fallen as to my views. I will here cite an extract from his late article: "The suggestion as made by Sir Francis Hincks, had reference to the use of gold deposited for a proposed issue of £1 notes, but if it is a sound suggestion in itself it might just as well be applied to the gold which is now deposited for the issue of notes of £5 and upwards." I read the foregoing extract with not a little surprise. It is, of course, well known that while the Scotch and Irish banks are allowed to issue £1 notes, the Bank of England is prohibited from issuing notes under £5, the practical effect being to cause a very large circulation in England of gold coins, which are deteriorated in value by abrasion. My object was to show that if an issue of £1 notes were authorized by law, the effect would

be that the bank of issue would be able to obtain, on a very moderate estimate, at least ten millions of gold in exchange for such notes. It would be quite safe to invest that amount in public securities, but in view of the fact that on three different occasions, since the passage of the Bank Act of 1844, it has been found necessary to authorize by proclamation the bank of issue to make loans to the bank of deposit, I suggested that it might be desirable to authorize the bank of issue to make such loans to the extent of ten millions of gold derived from the £1-note issue, whenever the rate of interest rose to six per cent. The practical effect of my suggestion would be, that "in periods of commercial alarm and emergency" the issue department might be authorized to lend ten millions on National securities. It would be perfectly safe to lend the same amount at any time, but I hold that it is more desirable to keep the gold obtained by the issue of £1 notes intact until a period of panic, and I am persuaded that the knowledge that the deposit branch of the Bank of England could at any time obtain such a loan, provided the rate of interest was at six per cent., would in great measure prevent that hoarding of money by capitalists which has contributed so much to monetary panics. I trust that the foregoing remarks will convince the author of the article on "Monetary Panics" that there is a wide difference between loaning the gold held against the present £5 issue, and a similar amount obtained by a new issue of £1 notes, which would be based on gold alone, while in regard to the £5-note issue, fifteen millions of pounds are issued on National securities.

F. HINCKS.

## POWERS OF BANK CASHIERS.

*Status of the Cashier.*—The cashier is the chief executive officer of a bank. He is the manager of its concerns in all things not peculiarly committed to the directors, and is the agent, not of the directors, but of the corporation.

*Powers Classified.*—The powers of cashiers may be said to be resolvable into three general classes: *First*, such as are inherent in the office, and which cannot be denied by the bank, unless it be shown that their want was known to the other contracting party at the time of the transaction. *Second*, such as are presumed to have been conferred on him, but which may be shown, in any case, not to have been so conferred; and, *Third*, such as are exercised only by virtue of special authority granted by the directors.

*Classes Considered.*—It is very difficult—perhaps impossible—to define with great precision or definiteness what is embraced in each of these several classes, but it may be said, in a general way, that a cashier has inherent power to do, as the executive officer of the bank, all such things as come within the ordinary course of his duties, or, in other words, within the scope of the general usage, practice, and course of business conducted by the bank.

He has *prima facie* power only to do those things without the ordinary course of his duties which it would seem he should do, and which, therefore, the law presumes him authorized to do, until the contrary appears.

Special authority from the directors is essential where the act is not only without the ordinary course of his duties, but is within

the legislative and judicial province of the directors, and is of a character which renders it improbable that he should have general authority to do acts of the like kind.

This authority may be either expressly or impliedly conferred; and this, although the charter and by-laws require the directors to prescribe the duties of the officers. It may be expressly conferred, for example, by resolution of the board of directors; and impliedly, for instance, by their acquiescence in the performance of similar acts, or by ratification of the particular act, as by availing themselves of the benefit of the transaction.

If such authority be conferred, acts of the cashier in pursuance of it, say some courts, will be binding on the bank, although in violation of the law of its existence.

The foregoing general propositions will have illustration in the following specific statement of the powers of cashiers.

*Power to Receive and Pay.*—As is obvious, it is among the inherent powers of a cashier to obligate the bank by the receipt of general deposits. This is true, although they are received on account of a third party.

It is equally clear that he also has the power to apply its funds to the payment of the checks of its depositors. Indeed, if the cashier should pay to a *bona-fide* holder the amount of a forged check drawn on the bank, or of forged notes of the bank, the payment could not be recalled; for he is trusted by the bank with an implied authority to decide on the genuineness of the handwriting of the drawer of the check, and of the paper of the bank.

*Power to Issue Checks.*—It is an unquestioned power of the cashier to issue checks upon the funds of the bank deposited elsewhere; and the court went to the extent, in *Northern Bank v. Johnson*,\* of declaring that a bank is liable on a check drawn by its cashier alone, in due course of business, notwithstanding a clause in its charter providing that "all bills, bonds, notes, and every contract on behalf of the company shall be signed by the president and countersigned and attested by the cashier; and the funds of the company shall in nowise be held responsible for any contract, unless the same be executed as aforesaid."

*Power to Certify Checks.*—The power of a cashier, *virtute officii*, to certify checks was once doubted, but it is now distinctly asserted that the power may be thus exercised.

*Power to Transfer and Indorse the Securities of the Bank.*—It is an undoubted power of a cashier to transfer, and to indorse in so doing, the negotiable paper belonging to the bank, for the purpose of collection, discharging its obligations, making a demand, or instituting a suit; and, indeed, according to a great preponderance of authority, for any purpose for which a private person may transfer and indorse his individual paper, and with like effect. This power, also, it has been held, may be exercised, although it be provided in the charter that the funds of the bank shall in no case be liable for any contract or engagement, unless the same shall be signed by the president and countersigned by the cashier, as such a provision does not apply to the ordinary business and duties of such officer.

A cashier cannot, however, without special authority, bind the bank by an official indorsement of his individual note.

—L. K. MIHILLS in *Central Law Journal*.

\*5 Coldw., 88.

\* [TO BE CONCLUDED IN OUR NEXT NUMBER.]

## LEGAL MISCELLANY.

**INTEREST—WHEN AGENT LIABLE FOR.**—Money voluntarily left by a principal in the hands of an agent lies without interest until some request for it or occurrence changes the character of the detention; but when the detention is against right, interest from the time when the money should have been paid to the principal, at the rate fixed by the law of the place where it is detained, is chargeable to the agent. [*Bischoffsheim v. Baltzer*. Circuit Ct. of U. S.]

**NATIONAL BANK—USURY—PENALTY—STATE COURT—JURISDICTION.**—The Federal statute provides the only remedy, and that by way of penalty, against a National bank, for the taking of usury; thus the plaintiff had brought a suit in the United States court to recover the penalty prescribed by the said statute, and had obtained a judgment. *Held*, that he could not thereafter maintain an action of assumpsit in a State court to recover the excess above the legal interest paid to the bank. In *Farmers and Mechanics' National Bank v. Dearing*, 91 U. S. 29, the plaintiff, a National banking association, organized under the National Bank Act, and located and doing business in the State of New York, knowingly discounted the note in suit at a greater rate of interest than was allowed by the laws of the State, and the question was whether that made the note void, as provided by the State statute. The Court of Appeals of New York, following its decision in *First National Bank of Whitehall v. Lamb*, 50 N. Y. 95, held that it did, but the Supreme Court of the United States reversed that judgment, and held that it did not. After this decision the Court of Appeals, in *National Bank of Auburn v. Lewis*, 75 N. Y. 516, held that usurious interest could be recovered by way of set-off or abatement in an action on the note usuriously discounted. Then came *Barnet v. National Bank*, 98 U. S. 555, holding the contrary, and that the remedy, given by the National statute for the wrong of taking usurious interest, is a penal suit, to which the party aggrieved or his legal representative must resort; that redress can be had in no other mode or form of procedure; that, as the statute giving the right prescribes the redress, both provisions are alike obligatory on the parties; that the mode of redress is by suit brought specially and exclusively for that purpose, in which the sole issue is the guilt or innocence of the accused, without the presence of any extraneous facts that might confuse the case and mislead the jury to the prejudice of either party. On the announcement of this decision the Court of Appeals ordered a reargument in *National Bank of Auburn v. Lewis*, and modified its former decision therein in conformity therewith, holding it to be controlling. *Peterborough National Bank v. Childs*, 133 Mass. 248, is to the same effect. Prior to the decision in *Barnet's* case, the Supreme Court of Pennsylvania had held the other way in *Lucas's* case, 28 P. F. S. 228, and other cases; but after *Barnet's* case it held in conformity therewith in *National Bank v. Dushane*, 96 Penn. St. 340, treating all its former decisions to the contrary as overruled, and said that the defendant's only remedy was by a penal action for twice the illegal interest paid. The case of *National Bank of Clarion v. Gruber*, 91 Penn. St. 377, is much in

point. It was debt, brought on March 4, 1876, to recover twice the amount of all payments of illegal interest made to the bank within two years next before the commencement of the action, and also all excess above legal interest paid during the additional period of four years before the 4th of March, 1874. The plaintiff declared specially for double the interest, and added the common counts in debt on which to recover the excess. The defendant contended below that there could be no recovery for any moneys claimed in the action except for the penalty; but the court ruled otherwise, and held that recovery could be had for the excess over the legal rate paid during the four years prior to March 4, 1874, as well as for twice the amount paid in excess within two years from the time of the commencement of the suit. The Supreme Court held this error, and said that from *Barnet's case* "It appears certain that neither by set-off nor original action can interest over legal rate, paid to a National bank, be recovered, except by way of penalty, as prescribed by the Act of Congress of June 3, 1864."—*Albany Law Journal*, Jan. 17, 1885.]

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## ECONOMIC NOTES.

### *POLITICAL ECONOMY AND PRACTICAL AFFAIRS.*

The capacity to collect and arrange facts is a bookkeeper's function; but the ability to see through the confusing mass of details and trace the operation of a governing principle, requires an intuitive regard for facts and their causes possessed in a large measure hitherto by only a few men. If this analysis be a true one, it will appear distinctly how it is that qualities almost diametrically opposed to each other are necessary for the equipment of an economist of the first rank. On the one hand, he must have the power of close, sustained and logical reasoning; on the other, he must have a most thoroughly practical spirit, without vagaries and nonsense. The former he gains chiefly by his academic training; the latter, by general maturity and an intuitive or practical knowledge of the world of business. In short, he must be at once a (so-called) "doctrinaire" and a "practical man." To be without one set of these faculties is to seriously and fatally prevent any great usefulness. A purely "practical man," without the logical training, can no more achieve economic success than a railway-locomotive, no matter how great its steam-power, can continue to run and reach its destination without rails. And yet, a bookish and literary economist, without the practical intuitions, can accomplish nothing more than a finely finished and most perfect engine in the hands of an ignorant who does not know how to get up steam. We here find the explanation of a very common belief among the wide ranks of the busy and successful men of affairs in the United States—a class who have generally had little academic training—that economists are mere "doctrinaires," whose assumptions are all *a priori*, all in the air, and above the level of every-day work; who had better make a fortune in pig iron, or fancy dress goods, before they set up to instruct the community. Merely making money, however, does not at the same time make one logical. It is as if we should demand that every scientific physicist or chemist should have first put his knowledge into practice by inventing some application of electricity, or a patent-medicine, before he is competent to impart the prin-



ciples of his science to others. The contempt of the practical world for (so-called) "doctrinaires" is as great a mistake as for the speculative writers to set themselves above the men of affairs. As in most things, the correct position lies somewhere between.—*Popular Science Monthly.*

#### SEARCHING REAL ESTATE TITLES.

The work of searching real estate titles has been thoroughly systematized in Boston on the geographical plan, for Suffolk County, and a company has undertaken the work. This movement was set on foot there about three years ago through the influence of a Baltimore company, which had demonstrated the practical success of the geographical system in that city. The amount of work to be done in making geographical abstracts of all deeds, mortgages and other legal instruments, affecting real estate titles in Boston has been enormous, occupying a score of clerks for three years and incurring an expense of over \$150,000. Two years ago the Boston Title Company, as it is called, began to furnish indices of titles, in the numbers of the books and pages, as far as they had progressed in their work. This was continued until within a short time, but while skeptics have been brought to see that the work was a practical success, the company have realized that it was not so financially. The purchaser of real estate had to employ a lawyer to search his title whether he made use of the Title Company's abstracts or not, and so it came about that the Company derived its patronage almost wholly from conveyances, and they resorted to it only when they were crowded with work or wished to verify a hard chain of conveyances. In this way the company became merely an annex to the conveyancer's office. The pioneer Title Company in Baltimore was having a similar experience, but the Philadelphia company proved a success almost from the start. During the past year they paid a dividend to their stockholders of 20 per. cent. The key to their success was their method of insuring the accuracy of their work. In this way they were able to do away with all go-between service of outside conveyancers and dealt directly with the public. The Boston company were not slow to discern this, and at the last session of the Legislature they secured the passage of a general law incorporating ten or more persons for the purpose of insuring real estate titles, with a capital of from \$200,000 to \$1,000,000, two-fifths of which shall be set aside as a guarantee fund and invested in such securities as are allowed Savings banks, but the guarantee fund shall not be less than \$100,000.

The company then reorganized, and is now known as the Massachusetts Title Insurance Company. Any person desiring a title searched can have it done by this company at less than half a conveyancer's charge, and in addition to this, the Title Company agrees to insure the title against all action, defraying all expenses of suit and paying all losses that shall occur so long as the title insured shall remain unchanged in the hands of the persons having it insured or his heirs.

The company does not guarantee against any error or loss any more than a fire insurance company guarantees that a building will not burn, but they do guarantee to pay all losses that may occur. It stands to reason, therefore, that when a person can have his title searched and the accuracy of the work insured, at one-half the cost of searching the title without any insurance, by the old method, that the new method must prevail, when its merits become known.

*A TECHNICAL RAILROAD SCHOOL.*

The Baltimore *Sun* says: The Baltimore and Ohio Railroad Company has completed the arrangements for the establishment of a school of technology at Mt. Clare for the education of apprentices in the branches which are connected with railroad operations. Boys whose parents have been a prescribed number of years in the service of the company will have precedence in getting admission to the school. The grading will be divided into classification, including apprentices, cadets, and third-year students, and they will receive pay while attending school, after the plan of the Government to its naval apprentices and cadets and the military cadets at West Point. The graduates from the technological school are required to enter the Baltimore and Ohio service for a term of three or five years, at the regular pay of the positions they fill. While in school the first class will be paid from 70 cents to a \$1 a day; the cadet, or second class, something above that amount, and in the third class the pay runs up to \$2 a day. A strict examination is to be made as to the physical, moral and intellectual attainments of applicants for admission to the school, and the general manager of the company is the chief executive head. It is proposed through this technological school to graduate railroad men fitted by their education to occupy responsible positions in the operation and management of the Baltimore and Ohio system.

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## BOOK NOTICES.

*Congressional Government. A Study in American Politics.* By WOODROW WILSON, Fellow in History, Johns Hopkins University. Boston: Houghton, Mifflin & Company, 1885.

The object of this book is to show "the most characteristic features of the federal system." Congressional government is committee government; parliamentary government is that of a cabinet ministry. Mr. Wilson contrasts the two systems, and points out clearly the weaknesses in our own. The introductory chapter describes the extension of the power of the Federal Government over the States, the probability of a further increase of this power, and the need of so improving the machinery of government that it will be more perfectly adapted to perform the duties springing from a larger population and increased wealth. Then follows an excellent analysis of the functions of the House, Senate and the Executive. The author regards the existence of so many standing committees of the House, forty-eight in number, fatal to consistent and systematic legislation, while the functions of the Senate are in the main the duplication of those of the House. Much has been said concerning the expediency of giving the heads of the departments places on the floor in the two Houses in order to explain bills and give coherency to our legislation, and this is discussed over again in contrasting our system with that of Great Britain. The work is valuable, because it presents for the first time in a popular form a subject with which every citizen should be familiar. The book is evidently modeled on Mr. Bagehot's *English Constitution*, which might be read with profit in this connection.

*Man's Birthright, or the Higher Law of Property.* By EDWARD H. G. CLARK. New York & London: G. P. Putnam's Sons. 1885.

In these days, when so many have flabby convictions, it is a real pleasure to read a book having convictions of a positive kind expressed by an earnest and intelligent man, even if we do not agree with him. These qualities are so marked in this little book that it is likely to cause no little ferment in the world. The fundamental positions of the author may be found on page 105, where he states "the true law of ownership" of property. He maintains that mankind, as a whole, own the entire wealth of the world, natural and fabricated; but every individual in the world can command and control any piece of that wealth according to his normal purchasing power, which is the exact index of the value of his labor, his skill, his pecuniary ability. But if he wishes to set aside, for his private uses, any portion of the general wealth, whether the price of property contains his own labor or that of some one else, then he must pay, on that piece of property, the rent of the people's share of value bound up in it; and, if every other member of society pays his proportionate share of such value, exact justice is reached in every respect." But what is the people's share at every point of time in the aggregate wealth of the world? The author maintains that share "to be an *ad-valorem* tax on the property of every generation, exactly proportioned to the death-rate of the population." It is not our business to play the part of preacher, and approve or condemn the author's doctrine. His sincerity and intelligent presentation of the subject entitle him to fair treatment, and this at least it is to be hoped he will receive.

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*The Progress of the Working Classes in the Last Half Century.* By ROBERT GIFFEN, President of the British Statistical Society. New York & London: G. P. Putnam's Sons. 1885.

This valuable address was delivered as an inaugural before the British Statistical Society. The subject is handled with conspicuous ability. A comparison is made in the rate of wages at different periods in English history, the shortening of the hours of labor is considered, also the changes in the prices of the chief articles consumed by workmen, the greater gain from public expenditure, and other matters illustrating the progress of the working class. A note on American wages has been added in the present edition.

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*Catalogue of the Library of the Statistical Society.* London 1884.

This is an admirable piece of cataloguing. The society has about 20,000 volumes, many of which are of great value. The catalogue will prove valuable, not only to the users of the books described, but to others who may wish to know what has been published on many subjects.

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*An Exposition of the Double Taxation of Personal Property in Massachusetts.* By GEORGE GLOVER CROCKER. February, 1885.

On another page is given an extract from this excellent address. It is singular that the evils here described are suffered to continue; but they surely will come to an end. Others must repeat Mr. Crocker's blows until the present barbarous system, yet existing in all the States, is overthrown.

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. CHECK PAYABLE "IN EXCHANGE."

C. I., 4/6, 1885.

First Nat. Bank of C,

Pay to Second National Bank, or order, two thousand dollars in exchange.  
\$2,000.

JOHN DOE.

A check on us is issued in the above form. The bank presenting it to us for payment claims a certain sum above the face of the check for *exchange*. This we refuse to pay, but tell them we will give them our draft at par for same. They refuse to accept, and protest check after we offer them just what it calls for, either currency or exchange. Are we right in our position?

REPLY.—In our opinion the position of the inquirer was the correct one. We have had frequent occasion to discuss checks drawn in this form, and have always taken the view that such a check means precisely what it says upon its face, viz., that it is payable in a draft, presumably on New York, and that no reason can be given why the drawee's own draft is not a good tender in payment of it. See number of May, 1884, p. 882.

## II. ACCOMMODATION INDORSEMENT BY CASHIER.

A question has just been sprung in our office which I want to refer to you for decision. A borrows \$5,000 from National Bank, and gives, with other indorsers, "C, Cashier," the indorsements, of course, being accommodations extended by indorsers to principal. Does the official signature of C, Cashier, bind his bank to pay the note?

REPLY.—It is well settled that the cashier of a bank has not, by virtue of his office and without other authority, the power to bind his bank by an accommodation indorsement of the note of another (*West St. Louis Savings Bank v. Shawnee County Bank*, 95 U. S. 559), unless the note comes before maturity into the hands of a *bona-fide* holder for value and without notice that the indorsement was an accommodation indorsement. The bank in this case is therefore not liable.

## III. DEPOSITS BY NATIONAL BANK IN A STATE BANK.

This bank has for one of its correspondents a State bank. In the course of business it frequently occurs that our balance on deposit with said bank exceeds the one-tenth part of the capital of this bank. Is such deposit a violation of Sec. 5,200 of the United States Revised Statutes? In other words, is money, deposited subject to check at sight, "money borrowed" by the bank in which it is deposited?

REPLY.—We have seen no judicial decision precisely upon this section of the National banking law, but a case has been decided by the Supreme Court of the United States upon the succeeding section, U. S. Rev. Stats., § 5,201, Act of 1864, ch. 106, § 35, which, we think, determines the proper construction of the section in question.

Sec. 5,200 provides that "the total liabilities to any association, of any person, or any company, corporation or firm, for money borrowed, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

Sec. 5,201 provides that "no association shall make any loan or discount on the security of the shares of its own capital stock, nor be the purchaser of such shares, unless to prevent loss upon a debt previously contracted," &c., &c.

In the case of *Bank v. Lanier*, 11 Wall 369, it appeared that the First National Bank of South Bend, Ind., had deposited funds with Culver, Penn & Co., bankers in New York, and claimed to hold certain shares of its own stock, which stood on its book in the name of Culver, as a pledge, and to have a lien upon the same as security for the payment of such deposits. This claim was disallowed by the court, which, in its opinion, uses this language: "Although the section in question (Act of 1864, ch. 106, § 35) forbids loans or discounts by a bank on the security of its own shares of stock, it is argued that this inhibition does not extend to the case of deposits made by one bank with another. But a deposit is, nothing but a loan of money, and is within the letter and spirit of the provision. It is well known that country banks keep on deposit in New York, with bankers and merchants, a considerable amount of money for their convenience, for which they receive more or less interest. But, whether interest be obtained or not, these deposits are, equally with paper discounted over the counter of the bank, loans of money, and the reason of the rule is equally applicable to them. The banker is accountable for the deposits he receives as a debtor, and the individual borrower of money from the bank sustains no other relation to it. In both cases money is borrowed, to be returned in a greater or less period of time, according to the contract of the parties. Without pursuing the matter further, it is clear that the contract between the South Bend Bank and Culver was illegal."

Whenever money is loaned, there must be a borrower as well as a lender, and it seems clear, upon the reasoning of the court, that, if money deposited in a bank is money loaned by the depositor, it must also be "money borrowed" by the bank, within the meaning of the prohibition contained in § 5,200. See Ball on National Banks, where *Bank v. Lanier* is cited as giving the proper construction of § 5,200. That was a case, however, of a general deposit for an indefinite time, like the ordinary bank deposit, which is to be distinguished from a temporary indebtedness that may arise in the course of business from collections or other dealings. But, with this qualification, we think it must be held that § 5,200, prohibits a National bank from keeping on deposit in any other bank, whether of a "person, company, corporation or firm," and whether organized under State or National authority, a sum of money in excess of one-tenth part of its capital stock actually paid in. Otherwise, any National bank might deposit the largest part of its funds, for example, with a single private banker, and by this device substantially free itself from the operation of the numerous salutary provisions of the National banking law, inserted by its framers for the protection of creditors and stockholders.

To this rule the National banking law furnishes but one exception, viz

in the provisions relating to reserve agents. But those provisions confirm the correctness of our construction of § 5,200, because the banks authorized by the law to act as reserve agents, and to hold on deposit a part of the lawful money reserve of the other banks, are a limited number of National banks, whose solvency and character must first be examined into and certified by the Comptroller of the Currency. We understand a previous Comptroller, in the case of a western bank with a large deposit with a New York banker, notified them that it was an infraction of the law.

#### IV. LIABILITY OF MEMBER OF UNINCORPORATED COMPANY.

Will you please furnish, in the Magazine, answers to the following: 1st.—Are the stockholders of an unincorporated stock company (doing business, say, in this State) individually liable for any overdraft of bank account or other indebtedness of the company? If so, to what extent is each stockholder liable? 2d.—A loan is made to stockholder of such a company with certificate of his stock as security, not transferred on books of the company to name of party loaning the money, but the certificate held with the power of attorney on back thereof properly signed. The power of attorney is in the form sometimes called a "bill of sale," and authorizes the attorney to sell, assign, and transfer the stock absolutely. Should the loan not be paid at maturity can the loaner, under the power of attorney named, take possession of the stock as settlement for the loan without sale of same. 3d.—Also, could creditors of the borrowers in any way prevent transfer on books of the company of the certificate given as collateral for the loan mentioned?

REPLY.—1. It is commonly understood that these unincorporated stock companies, except where they are organized under the provisions of statutes in force in some of the States, and then only within the limits of such States, are, in effect, mere partnerships, and that the holders of the so-called stock in them are liable, as the members of any other partnership are liable, for the debts of the company, viz., without limit, except their ability to pay them.

2. We think not. The proposed transaction between the borrower and lender is a pledge of the so-called stock as security for the loan. If the loan is not paid at maturity the lender can, no doubt, under the language of the power of attorney, sell the stock to a third person; but there is nothing stated in the inquiry which would authorize him to buy the stock himself, or enable him, by merely transferring the stock to himself, to put an end to the rights of the borrower in it. To accomplish that, legal proceedings would probably be necessary.

3. They might, if the proposed transaction is in any way fraudulent as to creditors, which is not disclosed in the inquiry.

#### V. RESPONSIBILITY FOR A COLLECTION.

On March 31st we received on deposit two checks on the Exchange National Bank of Norfolk, Va., amounting to \$1,150. The same day we forwarded them to that bank direct, which received them on April 1st. Our arrangements with that bank were that any letter containing more than \$1,000, was to be remitted for the same day of receipt. That bank, evidently knowing that they would close their doors the next day, did not remit, but placed the items through their books and credited them on our account. Will you advise us of your opinion as to whom the loss properly falls upon? We say that our customers are certainly responsible to us, as we used all due diligence in the collection of the checks, and there was but

one way in which the money could have been obtained for the checks, which was to have presented them at the counter of bank in person on that day, April 1st, at which time we understand they were paying checks. If our depositor be responsible to us, is not the drawer of the check liable to him? Could we not enter suit for the possession of the checks? They had no right to make the disposition of the checks which they did. If they were not in a condition to remit for them they should have returned them to us. Have they not illegal possession of them?

REPLY.—We think the bank from which the inquiry comes is responsible, and, as between itself and its depositors, must bear the loss.

In the first place, the result of sending the checks directly to the Norfolk Bank was to make that Bank, for many purposes, the agent of the sender. (See Reply in number of January, 1884, p. 551.) And it has recently been settled by the Supreme Court of the United States, in its decision in the case of *Exchange National Bank of Pittsburgh v. Third National Bank of New York* (reported in our last February number, p. 611), that a bank which receives for collection paper payable in another place, is, in the absence of special agreement, responsible for the conduct and solvency of the agents whom it employs in making the collection. The difficulty in this case arises from the conduct of the Norfolk Bank, and for that conduct the sending bank was responsible to its customers. As to the drawer of the checks, he is, no doubt, discharged from liability on them; for, so far as he is concerned, either the checks were paid by the Norfolk Bank, or if by possibility they can be treated as dishonored, no seasonable notice of dishonor was given to him.

As to a suit for the possession of the checks, it is possible that such a suit might be sustained by the sending bank, but we do not perceive any advantage to be derived from it.

#### VI. LIABILITY OF ONE WHO SIGNS A NOTE AS SURETY.

In a New York financial publication the following questions and answers appear: *Ques.*—"When two persons sign a note on its face, and one of them writes the word 'surety' or 'security' after his name, does the note have to be protested in order to hold him?" *Ans.*—"If a party signs the word 'surety' to his name upon the face of the note, it is a distinct indication of the character in which he signs, and he will be treated as a surety as against all parties; and, in order to hold him, the requirements of law as to demand and notice must be complied with." And then cites these two cases, "5 Mass., 358; 10 Barb., 512." Having always understood that a protest was unnecessary to hold a "surety," and that so far as the *payee and subsequent parties* were concerned, he was *held* as a joint or several maker, according as the note was written "we" or "I" promise to pay, &c.; I should like your opinion on the matter in your answers to correspondents.

REPLY.—Our correspondent understands the law upon this point precisely as we do, and we cannot state it more accurately than he has done in his inquiry. Daniel on Negotiable Instruments, § 94. The legal effect of the addition of the word "surety" to the name of one of two signers, or makers, of a note, is as we understand it, merely to notify the holder of the note that the signers, *as between themselves*, stand in the relation of principal and surety. It is well known that where, for example, one holds the contract of A and B, in the making of which A is principal and B is surety for A, that the law has established certain rules for the protection of B, the surety, and

that certain things done between the holder of the contract and A will discharge B from all liability under it. The addition of the word "surety" to the name of one of the signers of a note, therefore, by giving notice to all the holders of the note of the fact that he is surety, enables him to have the benefit of these rules of law. In this respect it puts him in the position of an indorser, who is, in some senses, surety for the maker, and of whose rights as such, the holder is necessarily notified by the form of the contract.

The mistake in the answer quoted by our correspondent is a singular one. The first part of it bears internal evidence of having been taken from Daniel on Negotiable Instruments, § 1332, where the author is treating of the law of principal and surety in its application to bills and notes, and of the conduct on the part of the holder of a note which will discharge the parties to it liable as sureties. When, however, the author says in § 1332, that "he (the signer) will be treated as a surety as against all parties," he refers to the right of the signer to avail himself of the rules of law relating to principal and surety, and not to the necessity of demand and notice such as is required to fix the liability of indorsers, which is an entirely different subject of discussion. And the addition beginning "and in order to hold him," &c., &c., is not justified by what precedes, and especially not by the authorities quoted, which the writer evidently cited from Daniel without reading them.

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### DIVIDENDS DECLARED.

Fulton National Bank, New York.—Semi-annual dividend of three and one-half ( $3\frac{1}{2}$ ) per cent., has been declared, payable May 1, 1885.

German Exchange Bank, New York.—Dividend of ten (10) per cent., has been declared, payable May 1, 1885.

National City Bank, New York.—Dividend of five (5) per cent. and an extra dividend of five (5) per cent. has been declared, payable May 1, 1885.

Union National Bank, New York.—Dividend of four (4) per cent. has been declared, payable May 1, 1885.

Union Trust Co. Philadelphia.—Semi-annual dividend of three (3) per cent., has been declared, payable May 1, 1885.

Cape Cod Five Cents Savings Bank, Cape Cod, Mass.—Semi-annual dividend of two (2) per cent., has been declared, payable May 1, 1885.

Bank of Montreal.—Dividend of five (5) per cent. has been declared, payable June 1, 1885.

Dominion Bank, Toronto.—Dividend of five (5) per cent. has been declared, payable May 1, 1885.

La Banque Ville Maria, Montreal.—Dividend of three and one-half ( $3\frac{1}{2}$ ) per cent. has been declared, payable June 1, 1885.

Merchants' Bank of Canada, Montreal.—Dividend of three and one-half ( $3\frac{1}{2}$ ) per cent. has been declared, payable June 1, 1885.



## BANKING AND FINANCIAL ITEMS.

**CORRECTING THE WEIGHT OF COINS BY ELECTRICITY.**—Herr J. Muller, a German mining engineer, has introduced the practice of bringing light coins of silver and gold to the standard weight by electro-deposition of the metal on their surfaces. The coins form the cathode of the electro-typing bath, and a band of silver or gold, as the case may be, is used as the anode. For silver coins, the solution that is decomposed by the electric current consists of fifteen grams of chloride of silver freshly precipitated in a saturated solution of cyanide of potassium, to which water has been added to make one liter of solution. Two Leclanche cells form the source of the current. As 101 milligrams of silver are found to be deposited in an hour by this arrangement, the coins are exposed in the bath for a length of time sufficient to supply the silver that they lack. For slight deficiencies, there is no defacement of the inscription.

**OLD BANK NOTE.**—The oldest bank note probably in existence in Europe is one preserved in the Asiatic Museum at St. Petersburg. It dates from the year 1399 B. C. and was issued by the Chinese Government. It can be proved from Chinese chroniclers that, as early as 2697 B. C. bank notes were current in China under the name of "flying money." The bank note preserved at St. Petersburg bears the name of the imperial bank, date and number of issue, signature of a mandarin, and contains even a list of the punishments inflicted for forgery of notes. This relic of four thousand years ago is probably written, for printing from wooden tablets is said to have been introduced in China only in the year 100 A. D.

**LONG LITIGATION.**—The Supreme Court of Pennsylvania on the 14th of April ended a litigation which has been pending for forty eight years, by affirming the judgment of Common Pleas Court No. 3 in the suit of Thomas A. Biddle, as assignee of Riddle & Mahoney, against the Girard National Bank, as garnishee of the firm of Warwick & Claggett, which did business in London half a century ago, and owned quite a block of stock in the Girard Bank. Suit was brought against the firm by Jackson Riddle & Co., of this city, in 1838, and a judgment for \$43,000 was rendered. No steps were taken to realize upon their bank stock from 1845 until March, 1879, when the attention of Edward Waln, the only surviving counsel in the original proceedings was attracted by the efforts which were being made by Governor William M. Bunn, on behalf of the heirs of Warwick, to recover the stock from the bank. Mr. Waln promptly put the pleading in proper shape and pressed the case to trial in February, 1883, when a verdict for \$32,885 was rendered against the bank, subject to a reserved point of law, upon which the Court afterwards entered judgment for the defendant, notwithstanding the verdict. This point was the familiar one that a presumption of payment arises after a lapse of twenty years. The case was taken to the Supreme Court and argued by George W. Biddle and ex-Attorneys-General Brewster and MacVeagh, who had succeeded to Ferdinand Hubbell and William M. Meredith as counsel. In the opinion filed by Judge Clark, he holds that the presumption of payment applies to a judgment obtained on a writ of foreign attachment with the same force as to any other obligation or evidence of indebtedness. He declares that a court will exercise more liberality towards a garnishee than towards an ordinary litigant, and that the bank is certainly entitled to the benefit of so just and reasonable a presumption. When the original counsel are dead, the records, the books and the witnesses are gone, a new generation has taken their place, and everything connected with the case is involved in uncertainty and obscurity, he declares that it is fair to draw the inference that the claim was paid. The judgment in favor of the bank is therefore affirmed.

**SAVINGS BANK DEPOSITORS.**—Very curious and sometimes romantic stories are told of depositors who have disappeared and never turned up, or have reappeared in peculiar and mysterious ways. Two years after the Western Saving Fund Society of Philadelphia was started, in 1849, a mason made a deposit which was increased until in 1857, after an addition of \$3,000 (they had no limit then), there were \$4,000 due him. He was not seen until 1868, when the present treasurer, William B. Rogers, was approached one morning by a very seedy-looking fellow with worn-out clothes, who, in a rather dramatic manner, declared himself to be the above-said mechanic, and produced his bank book. His account was found to be the largest in the bank, about \$8,000. But, to Mr. Rogers' surprise, he did not want to withdraw anything, but to make another deposit. He had been plying his trade about the country, living on almost nothing and laying up something in nearly every place. He disappeared soon after, and was not heard from until 1874, when he wrote from yellow-fever stricken Memphis. The next information received was in 1884, when news came that he had died in the South. His deposit then amounted to \$14,500, and was paid over to his relatives, who lived in Philadelphia.

**RAILROAD vs. WATER RATES.**—Ten years ago Edward Crane defied the Massachusetts Legislature and the railroad men of the State of Massachusetts with a declaration that railroad transportation would yet be made cheaper than water transportation, and that railway competition would drive out lake and canal transportation. In the last quarterly report of the Treasury Review of Statistics (page 418) it is shown that the tonnage transported on the New York State canals has fallen from 6,442,225 tons in 1868 to 5,009,488 tons in 1884, while the tonnage on the New York Central & Hudson River Railroad has increased in the same time from 1,846,599 tons to 10,211,418 tons; on the Erie Road, from 3,900,000 to 11,071,000; and on the Pennsylvania, from 4,722,000 to 22,583,000. This is exclusive of the tonnage moved on the leased lines of these companies. The tonnage transported by rail on the four American trunk lines increased from 44,767,954 tons in 1880 to 53,549,316 tons in 1884.

**VIRGINIA.**—The City Bank of Richmond has increased its capital from \$100,000 to \$200,000. Under the efficient management of its President, Mr. Edward Cohen, this bank has attained a well-deserved prosperity.

**INTERESTING CASE OF BANK DEPOSIT.**—Judge Paxson, of the Pennsylvania Supreme Court, has filed an opinion in the case of the *First National Bank of Scranton vs. Higbee & Co.*, which involved the question of the responsibility of a bank to hold money deposited to pay a draft due by the depositor. The facts of the case were as follows: Higbee & Co., had drawn their draft on John B. Gillespie for \$797.76, at thirty days. The draft was accepted by Gillespie, but was not paid at maturity, and was returned to the bank in Philadelphia from which it had been received. Subsequently, Gillespie sent his brother, Thomas Gillespie to the First National Bank of Scranton, with \$600 to apply to this draft. The cashier informed the brother that the draft had been returned to the bank in Philadelphia from which it had been received. Thomas Gillespie then left the money with the cashier, and received from him a certificate of deposit in John B. Gillespie's favor for \$600, "to pay Higbee's draft." After seven days, however, Gillespie drew his check upon the bank for \$600, and drew out the money. The draft, in the meantime, had not been returned to the bank. Subsequently Higbee & Co. brought suit against the bank and recovered a verdict. At the trial below the judge declined to charge that Gillespie had a right to revoke his direction to pay the Higbee draft at any time before the same was paid by the bank. This action was assigned for error. Justice Paxson agrees with the plaintiffs in error on this point, and holds that Gillespie had a full right to revoke the direction to pay the draft at any time prior to its application by the bank to the payment of that obligation, and that, in permitting them to withdraw it the bank had acted properly.

**BANK COLLECTIONS.**—In view of the decision of the Supreme Court of the United States in the case of the *Exchange National Bank of Pittsburgh, Pa., vs. The Third National Bank of the City of New York* (published in the February number of the *BANKER'S MAGAZINE*) the following banks in the city of Raleigh, North Carolina, viz, the Raleigh National Bank of Raleigh, N. C.; the Citizens' National Bank, of Raleigh, N. C.; and the State National Bank of Raleigh, N. C., have announced that they "decline to take papers for collection outside of the City of Raleigh, except as agents, responsible for due care only, with power to appoint other agents, who become thereby the agents of the owners of the paper, and responsible to the owners of the paper, to the exoneration of the said Raleigh banks, except for their own due care. And this will be the implied contract in every case."

**F. A. DREXEL'S CHARITIES.**—Archbishop Ryan has received, as trustee of the Roman Catholic institutions of the Philadelphia diocese, \$740,000 under the will of the late Francis A. Drexel, the banker, who directed that, after the payment of certain small specific legacies, one-tenth of his estate should go to a number of Catholic charities which he named. The executors, by the will, were given a year in which to settle the estate's affairs. Mr. Drexel, during his lifetime, was regarded as a conservative and keen financier. The condition of his affairs after his death shows that the common judgment was a sound one, for they were all in such order that the estate will in a few weeks have been completely adjusted. It is reported on good authority that the estate will certainly reach \$10,000,000, and that consequently, the bequests to charities would amount to a round \$1,000,000. Negotiations are proceeding for the settlement of the late Mr. Drexel's interest in the firm of Drexel & Co. The new building that the firm is now erecting at Fifth and Chestnut Streets will, it is said, be the finest bank building in the United States.

**VIRGINIA COUPON DECISION.**—In consequence of the decision of the United States Supreme Court in the Virginia tax cases it has been suggested that the State immediately bring suit against the State of West Virginia for the payment of one-third of the debt. The lawyers who have been consulted on this subject say that there can be no question but that the equities are with the State of Virginia. The difficulty would be to collect a judgment if one should be obtained. One of the difficult problems in the question is the fact that one of the fundamental conditions of the admission of Virginia into the Union, is that the State, by no law or act, should in any way interfere with the common school system. The decision of the Supreme Court, if it shall be strictly followed, will make it impossible for Virginia to maintain her school system. It seems almost inevitable that the schools will be closed. Virginia is the trustee of \$20,000,000 of her own indebtedness, which is not canceled, but most of which is paid, the trust existing on the obligation to collect one-third from West Virginia.

**THE HOTEL COLFAX.**—This summer resort, near the "Old Magnesian Chalybeate" and "Colfax" mineral springs, at Colfax, Iowa, twenty-four miles east of Des Moines and 333 west of Chicago, on the Rock Island & Pacific Railway, will be opened on May 6, for the season of 1885. This splendid hotel can accommodate 300 guests. All its appointments are first class. Its tables are supplied with all the substantial and delicacies, and its parlors, reading and sleeping-rooms with every convenience; croquet, billiards, bowling alleys, and other facilities for recreation. Thayer's orchestra engaged for the season. The grounds include the "Old M. C." and Colfax springs, which are unequaled for their remedial virtues. Thousands certify to their efficacy; they are a powerful alterative and tonic, and an infallible cure for rheumatism, dyspepsia, indigestion and other ailments. The Hotel Colfax furnishes the water fresh from the original fountains, for drinking and bathing, hot or cold. Its charges are moderate, \$10 per week, and upward. Parties desiring quarters for the summer should secure them at once.

## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from April No., page 791.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
N. Y. CITY.....		Hatch & Foote.....	.....
ALA....	Birmingham... \$50,000	Central Bank..... William Berney, <i>Pr.</i>	National Bank of the Republic. Saffold Berney, <i>Cas.</i>
DAK....	Jamestown ... \$50,000	Jamestown Nat'l Bank... A. J. Feezer, <i>Pr.</i>	..... Geo. L. Raymond, <i>Cas.</i>
IND....	Pierceton.....	People's Bank (W. C. Matchett).	.....
IOWA..	Emmetsburg... \$50,000	First National Bank..... E. S. Ormsby, <i>Pr.</i>	Gilman, Son & Co. A. L. Ormsby, <i>Cas.</i>
KANSAS.	Attica.....	Bank of Attica (A. C. Jobes).	.....
"	.. Herington.....	Bank of Herington..... M. D. Herington, <i>Pr.</i>	Kountze Bros. Geo. R. Browning, <i>Cas.</i>
"	.. Mulvane.....	Bank of Mulvane (M. Wightman).	Gilman, Son & Co.
"	.. Topeka..... \$25,000	The Kansas Mortgage Co. Carroll N. Beal, <i>Pr.</i>	Fourth National Bank. D. A. Mulvane, <i>Sec.</i>
LA.....	Lake Charles..	J. B. Watkins Bkg. Co... J. B. Watkins, <i>Pr.</i>	..... A. C. Gordon, <i>Cas.</i>
MICH..	Bellaire.....	B'k of Bellaire (Turrell & Albrecht).	.....
"	.. Houghton..... \$150,000	Nat'l B'k of Houghton... Z. W. Wright, <i>Pr.</i>	Imp. & Traders' National Bank. Jas. B. Sturgis, <i>Cas.</i>
MISS....	Jackson.....	First National Bank..... John P. Richardson, <i>Pr.</i>	National Park Bank. O. J. Waite, <i>Cas.</i>
MO....	De Soto.....	Jefferson Co. Bank.....	(Bakewell & Munroe).
"	.. Neosho..... \$20,000	Neosho Savings Bank... H. C. Armstrong, <i>Pr.</i>	Merchants' National Bank. A. J. Baurdick, <i>Tr.</i>
N. MEX.	Georgetown ...	Payne, Washington & Co.	Wells, Fargo & Co.
N. Y....	Fort Edward... \$75,000	First National Bank..... P. C. Hitchcock, <i>Pr.</i>	National Park Bank. A. R. Wing, <i>Cas.</i>
"	.. Middletown... \$160,000	Merch. & Mfrs. N. B..... Isaac R. Clements, <i>Pr.</i>	..... Nathan M. Hallock, <i>Cas.</i>
"	.. Seneca Falls... \$100,000	Exchange Nat'l Bank.... H. Chamberlain, <i>Pr.</i>	Imp. & Traders' National Bank. Norman H. Becker, <i>Cas.</i>
OHIO... Franklin.....		D. Adams & Son.....	Third National Bank.
"	.. Mount Vernon... \$50,000	Knox National Bank.... Henry B. Curtis, <i>Pr.</i>	Central National Bank. John M. Ewalt, <i>Cas.</i>
PENN... Elizabethtown..		Elizabethtown Nat'l B'k.. Aaron Dissinger, <i>Pr.</i>	..... Isaac S. Longenecker, <i>Cas.</i>
"	.. Everett..... \$30,000	Everett Bank..... Edward F. Kerr, <i>Pr.</i>	..... J. M. Wilson, <i>Cas.</i>
TENN... Sparta.....		Bank of Sparta.....	United States National Bank.
"	.. \$40,000	W. N. Cameron, <i>Pr.</i>	J. N. Walling, <i>Cas.</i>
TEX.... Abilene.....		Abilene National Bank...	.....
"	.. \$100,000	J. M. Daugherty, <i>Pr.</i>	C. Evans, <i>Cas.</i>
"	.. Terrell..... \$100,000	The Harris Bank..... Jim Harris, <i>Pr.</i>	Ninth National Bank. J. B. Harris, <i>Cas.</i>
WYO... Rock Springs..		Min. & St'k Growers' B'k..	.....

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from April No., page 793.)

	<i>Bank and place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.	—Second National Bank....	Jos. S. Case, <i>Cas.</i> .....	O. D. Roberts.
"	—Tradesmen's Nat'l B'k....	Wm. A. Pond, <i>V. Pr.</i> ....	.....
ALA....	First Nat'l Bank, Birmingham.	W. A. Walker, Jr., <i>Pr.</i> ...	Wm. Berney.
CAL....	First Nat'l Bank, San Diego...	O. S. Hubbell, <i>Ass't Cas.</i> .....	.....
CONN....	New Britain Nat'l Bank, New Britain. }	A. P. Collins, <i>Pr.</i> ..... A. J. Sloper, <i>Cas.</i> ..... E. N. Stanley, <i>Ass't Cas.</i> ...	C. B. Erwin.* A. P. Collins. A. J. Sloper.
DAK....	Hansen Co. B'k, Alexandria...	Donald Grant, <i>Pr.</i> .....	F. A. Gale.
"	.. Jamestown N. B., Jamestown..	S. H. Drake, <i>V. Pr.</i> .....	.....
"	.. First National Bank, .. Fargo. }	E. C. Eddy, <i>Pr.</i> ..... Geo. O. Erskine, <i>V. Pr.</i> ...	Ezra B. Eddy.*
"	.. Beadle Co. Nat'l Bank, Huron.	C. E. Byrant, <i>Cas.</i> .....	Frank E. Stevens.
"	.. Kidder Co. Bank, Steele.....	H. W. Taylor, <i>Cas.</i> .....	W. H. Finney.
DEL....	Union Nat'l B'k, Wilmington..	John H. Danbury, <i>Cas.</i> ...	J. Peoples.
FLA....	Nat'l B'k of State of Fla., Jacksonville. }	J. J. Daniel, <i>V. Pr.</i> .....	.....
GA....	First Nat'l Bank, La Grange...	Wm. C. Yancey, <i>V. Pr.</i> ...	W. O. Tuggle.
ILL....	Third National Bank, Bloomington. }	Frank L. Bunn, <i>Cas.</i> ..... S. W. Waddle, <i>Ass't Cas.</i> ...	T. J. Bunn. F. L. Bunn.
"	.. First Nat'l Bank, Petersburg.	C. B. Laning, <i>Pr.</i> .....	W. C. Smoot.
IND....	State Nat'l Bank, Logansport..	John F. Johnson, <i>Cas.</i> ...	J. C. Ingram.
"	.. Citizens' National Bank, .. Noblesville. }	Theo. P. Haughey, <i>Pr.</i> ... W. E. Dunn, <i>Ass't Cas.</i> ...	R. L. Wilson. C. R. Wilson.
IOWA..	First National Bank, Marion. }	J. J. Smyth, <i>Pr.</i> ..... J. S. Alexander, <i>V. Pr.</i> ... S. N. Goodhue, <i>Cas.</i> .....	Mrs. L. B. Stephens* ..... J. J. Smyth.
"	.. Oskaloosa N. B., Oskaloosa...	D. W. Loring, <i>V. Pr.</i> .....	.....
"	.. Red Oak National Bank, .. Red Oak. }	B. B. Clark, <i>V. Pr.</i> ..... D. B. Miller, <i>Ass't Cas.</i> ...	D. B. Miller. B. B. Clark.
"	.. First Nat'l Bank, Villisca.....	B. F. Fast, <i>Cas.</i> .....	H. H. McCartney.
KAN....	First Nat'l B'k, Coffeyville....	Geo. Slosson, <i>V. Pr.</i> .....	.....
"	.. First Nat'l Bank, Fort Scott...	John Gleurz, <i>V. Pr.</i> .....	.....
"	.. Farm. & Merch. B'k, McPherson	C. A. Heggelund,.....	A. L. McWhirk.
"	.. Wellington National Bank, .. Wellington. }	H. H. Davidson, <i>V. Pr.</i> ... H. E. Frantz, <i>Ass't Cas.</i> ...	J. Murphy. F. Frantz.
KY....	Deposit Bank, Glasgow.....	H. C. Trigg, <i>Cas.</i> .....	W. L. Porter.
"	.. First Nat'l B'k, Louisville....	A. L. Schmidt, <i>Pr.</i> ..... J. Peter, <i>V. Pr.</i> ..... Thos. R. Sinton, <i>A. C.</i> ...	J. Peter. A. L. DuPont. A. L. Schmidt.
"	.. Bank of Uniontown.....	J. W. Jenkins, <i>Cas.</i> .....	Henry Wilken.
MD.,	Chestertown N. B., Chestertown	Chas. T. Westcott, <i>V. P.</i> .....	.....
MASS..	Attleboro N. B., No. Attleboro.	J. D. Richards, <i>Pr.</i> .....	D. Evans.
"	.. Central Nat'l Bank, Boston....	Sam. Carr, Jr., <i>V. Pr.</i> ...	.....
MICH..	First National Bank, Charlotte. }	E. S. Lacey, <i>Pr.</i> ..... W. P. Lacey, <i>Cas.</i> .....	E. Hayden. E. S. Lacey.
"	.. First Nat'l Bank, Kalamazoo...	L. Hull, <i>Actg Pr.</i> .....	R. S. Babcock.*
"	.. First Nat'l Bank, Leslie.....	W. Haynes, <i>V. Pr.</i> .....	A. Walker.
"	.. First Nat'l B'k, Traverse City..	John T. Beadle, <i>V. Pr.</i> ...	.....
"	.. First Nat'l Bank, Whitehall....	S. H. Lasley, <i>Cas.</i> .....	A. C. Hammond.
MINN..	First National Bank, Morris..	Carrington Phelps, <i>Pr.</i> ...	G. M. Fish, Jr.
MO....	Bates Co. Nat'l B'k, Butler.. }	F. J. Tygard, <i>Pr.</i> ..... John B. Newberry, <i>V. P.</i> ...	Lewis Cheney.*
"	.. Bank of Carthage.....	J. C. Clark, <i>Cas.</i> ..... Frank Hill, <i>Pr.</i> .....	F. J. Tygard. G. A. Cassil.

\* Deceased

<i>Bank and Place</i>	<i>Elected.</i>	<i>In place of</i>
N. M... First National Bank, Albuquerque.	J. Raynolds, <i>Pr.</i> ..... J. S. Raynolds, <i>V. Pr.</i> ..... Norman C. Raff, <i>Cas.</i> ..... M. W. Flournoy, <i>A. C.</i> .....	M. S. Otero. N. T. Armijo. D. Geary.
N. Y.... Cayuga Co. N. B., Auburn....	J. E. Storke, <i>Cas.</i> .....	A. L. Palmer.
" .. Tanners' Nat'l Bank, Catskill..	Orrin Day, <i>Pr.</i> .....	S. S. Day.*
" .. National Bank of Coxsackie.	D. M. Hamilton, <i>Pr.</i> ..... Wheeler Powell, <i>V. Pr.</i> .....	A. Reed.* D. M. Hamilton.
" .. Citizens' N. B., Hornellsville..	J. E. Santee, <i>Cas.</i> .....	J. S. McMaster.
" .. Kingston Nat'l B'k, Kingston..	A. Humphrey, <i>V. Pr.</i> .....	F. W. Ingalls.
" .. National Bank of Stamford....	J. H. Merchant, <i>Cas.</i> .....	S. W. Hubbard.
" .. Utica City National Bank, Utica.	Chas. S. Symonds, <i>Pr.</i> ..... M. C. Brown, <i>A. C.</i> .....	I. Maynard.* C. S. Symonds.
OHIO... Commercial N. B., Columbus..	Benj. S. Brown, <i>V. Pr.</i> .....	.....
" .. Hocking Valley Nat'l Bank, Lancaster.	Geo. E. Martin, <i>V. Pr.</i> ..... Thos. Mithoff, <i>Cas.</i> ..... Geo. Mithoff, <i>Ass't Cas.</i> .....	H. A. Martin. W. D. Kutz. T. Mithoff.
" .. Knox Nat'l Bank, Mt. Vernon.	J. N. Burr, <i>V. Pr.</i> .....	.....
" .. First National Bank, Ravenna.	R. B. Carnahan, <i>Cas.</i> ..... J. S. Cooke, <i>Ass't Cas.</i> .....	C. E. Witter.* .....
OREGON First Nat'l B'k, Baker City....	Walter Fernald, <i>V. Pr.</i> .....	.....
PENN... Keystone Nat'l Bank, Erie....	F. V. Kepler, <i>Ass't Cas.</i> .....	.....
" .. Central Nat'l Bank, Phila....	Theo. L. De Bow, <i>A. C.</i> .....	Sam'l S. Sharp.
" .. Merch. & Mfrs.' N. B., Pittsburgh.	Reuben Miller, <i>Pr.</i> .....	Wm. Rea.
" .. York Co. Nat'l B'k, York....	Wm. S. Roland, <i>Pr.</i> .....	J. E. Rosenmiller.
TEX.... First National Bank, Baird....	W. L. Gilliland, <i>V. Pr.</i> .....	.....
" .. Wills Point B'k, Wills Point..	W. B. Lybrank, <i>Pr.</i> .....	H. Fuller.
VT.... National Bank of Middlebury..	Chas. E. Pinney, <i>Cas.</i> .....	J. G. Wellington.
" .. Woodstock N. B., Woodstock.	Fred'k W. Wilder, <i>A. C.</i> .....	.....
VA.... Liberty Savings Bank, Liberty.	R. B. Clayton, <i>Pr.</i> .....	Wm. Graves.*

\* Deceased.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from April No., page 793.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3320	First National Bank..... Sibley, Iowa.	Chas. E. Brown,	H. L. Emmert,	\$ 50,000
3328	Knox National Bank..... Mount Vernon, OHIO.	Henry B. Curtis,	John M. Ewalt,	50,000
3329	Exchange National Bank..... Seneca Falls, N. Y.	H. Chamberlain,	Norman H. Becker,	100,000
3330	First National Bank..... Fort Edward, N. Y.	P. C. Hitchcock,	A. R. Wing,	75,000
3331	Jamestown National Bank..... Jamestown, DAK.	A. J. Feezer,	Geo. L. Raymond,	50,000
3332	First National Bank..... Jackson, MISS.	John P. Richardson,	O. J. Waite,	50,000
3333	Merch. & Mfrs. National Bank.. Middletown, N. Y.	Isaac R. Clements,	Nathan M. Hallock,	160,000
3334	National Bank of..... Houghton, MICH.	Z. W. Wright,	James B. Sturgis,	150,000
3335	Elizabethtown National Bank... Elizabethtown, PA.	Aaron Dissinger,	Isaac S. Longenecker,	100,000
3336	Abilene National Bank..... Abilene, TEXAS.	J. M. Daugherty,	C. Evans,	100,000
3337	First National Bank..... Emmetsburg, IOWA.	E. S. Ormsby,	A. L. Ormsby,	50,000

## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from April No. page 791.)*

N. Y. CITY.....	Apgar & Co.; now Louis J. Apgar.
" ..	E. C. Fox & Co.; suspended.
" ..	Hewson, Kilbreth & Co.; now Hewson & White.
" ..	Sterling, Groesbeck & Co.; now J. H. Sterling & Co.
" ..	Post, Wales & Co.; now Post & Wales.
" ..	Harriot & Noyes; now S. J. Harriot & Co.
CAL.... Fresno .....	Fresno County Bank; now First National Bank.
" .. San Francisco...	F. Berton & Co.; transferred business to Alfred Borel & Co.
COL.... Montrose.....	Uncompahgre Valley Bank (C. E. McConnell & Co.); now McConnell & Burgess, proprietors.
DAK.... Jamestown ....	Stutsman's Co. Bank; now Jamestown National Bank.
DEL.... Wilmington....	Robinson, Chandler & Co.; closed.
FLA.... Jacksonville....	National Bank of the State of Florida; does not succeed, as reported, Ambler, Marvin & Stockton.
ILL.... Chatsworth.....	C. A. Wilson & Co.; sold out to J. E. Brown & Co.
" .. Highland.....	Ryhiner & Co.; closed.
" .. Tremont .....	Hobart & Davis; suc. by Tremont B'k (A. J. Davis, pro.).
IOWA... Bloomfield.....	Steckel & Overton; succeeded by Exchange Bank.
" .. Emmetsburg...	Ormsby Bros. & Co.; now First National Bank.
KAN.... Baxter Springs.	Baxter Bank (H. R. Crowell); succeeded by Crowell & Clark, proprietors.
" .. McCune.....	McCune Bank (Millington & Vance); now I. K. Vance & Co., proprietors.
" .. Meriden.....	B'k of Meriden (Kane & Lloyd); now A. J. Kane, proprietor.
" .. Mulvane.....	Mulvane Bank; now Bank of Mulvane (W. Wightman).
" .. Topeka.....	C. N. Beal & Co.; succeeded by the Kansas Mortgage Co.
KY.... Glasgow.....	Trigg & Co.; discontinued; succeeded by Deposit Bank.
MASS... Boston.....	Pinkham & Corey; now Edwin H. Corey.
MICH... Houghton.....	First Nat'l B'k, expired by limitation; succeeded by Nat'l Bank of Houghton.
" .. Owosso.....	First National Bank; succeeded by A. T. Nichols & Co.
MO.... De Soto.....	De Soto City Bank (E. H. Bradbury & Co.); succeeded by Jefferson Co. Bank (Bakewell & Munroe).
" .. Neosho.....	Newton Co. Bank; succeeded by Neosho Savings Bank.
N. MEX. Albuquerque...	Central Bank; consolidated with First National Bank.
" .. Georgetown ...	Kennedy & Thobro; succeeded by Payne, Washington & Co.
N. Y.... Fort Edward...	National Bank of Fort Edward; now First National Bank.
" .. Seneca Falls...	Nat'l Exchange Bank; succeeded by Exchange Nat'l Bank.
" .. Unadilla.....	Thomas G. North & Co.; now North & Co.
OHIO... Crestline .....	Farm. & Mech. B'k; assigned Mar. 31, to S. G. Cummins.
" .. Franklin.....	Farmers' National Bank; succeeded by D. Adams & Son.
" .. Mount Vernon...	Knox Co. National Bank; succeeded by Knox Nat'l Bank.
OREGON Independence...	Polk Co. Bank; succeeded by J. S. Cooper.
PENN... Philadelphia...	Page, Fleming & Co.; now E. D. Page & Bro.
R. I.... Anthony.....	Coventry National Bank; expired by limitation.
TEX... Sulphur Springs	Weaver & Whitworth; now Weaver, Whitworth & Foscoe.
" .. Terrell .....	Childress & Harris Bank; now the Harris Bank.
VA.... Franklin.....	Bank of Franklin; failed April 13.
" .. Norfolk .....	Exchange National Bank; suspended April 2.
" .. " .....	Farmers' Bank; suspended April 9.
" .. " .....	Franklin Savings Bank; suspended April 2.
" .. Portsmouth....	Bain Bros.; suspended April 2.
CANADA Dresden.....	Currie & Sharpe; out of business.
" .. Teeswater.....	Kittridge Bros.; sold out to W. B. Tesdale.

## BOSTON BANK STOCKS AND DIVIDENDS.

The following table, compiled for the Boston *Commercial Bulletin* by Joseph G. Martin, presents the capital of each bank, together with the last two semi-annual dividends, free of all taxes, and the amount payable on Wednesday, April 1, also the market value of each stock, *dividend on Oct. 1, 1884, and at the present time*:

Boston Banks.	Capital.	Dividends.		Amount.	Stock, Divid. on.	
	April, 1885.	Oct., '84.	Ap., '85.	Apr. 1, 1885.	Oct. 1, '84.	Mar. 27, '85
Atlantic National .....	\$ 750,000	4	3½	\$ 26,250	152	158
Atlas National .....	1,500,000	2½	2½	37,500	123	118
Blackstone National .....	1,500,000	2½	2½	37,500	105	109
Boston National .....	1,000,000	3	3	30,000	117	117
Boylson National .....	700,000	2½	3	21,000	115	119
Broadway National .....	200,000	0	*	—	100	100
Bunker Hill National .....	500,000	5	4½	22,500	186	186
Central National .....	500,000	0	0	—	—	—
City National .....	1,000,000	2½	2	20,000	110	109
Columbian National .....	1,000,000	3	3	30,000	128	132
Commerce .....	1,500,000	3	2½	37,500	113	119
Commonwealth .....	500,000	2½	2½	12,500	114	117
Continental National .....	1,000,000	2½	2½	25,000	108	110
Eagle National .....	1,000,000	2½	2½	25,000	105	115
Elliot National .....	1,000,000	3	3	30,000	120	121
Everett National .....	400,000	1½	2	8,000	104	95
Exchange National .....	1,000,000	3	2½	25,000	118	117
Faneuil Hall National .....	1,000,000	3	3	30,000	132	132
First National .....	1,600,000	5	5	50,000	200	200
First Ward National .....	200,000	3	3	6,000	115	116
Fourth National .....	500,000	2½	2½	12,500	112	112
Freeman's National .....	800,000	2½	2	16,000	101	106
Globe National .....	1,000,000	2½	2	20,000	100	98
Hamilton National .....	750,000	3	3	22,500	120	123
Hide & Leather .....	1,500,000	2½	2½	37,500	118	115
Howard National .....	1,000,000	2½	2½	25,000	115	113
Lincoln National .....	300,000	2½	2½	7,500	102	102
Manufacturers' National .....	500,000	2½	2½	12,500	97	98
Market National .....	800,000	2	2	16,000	98	94
Massachusetts Nat. par \$250 .....	800,000	2	2	16,000	108	102
Maverick National .....	400,000	5	5	20,000	220	220
Mechanics' National .....	250,000	3½	3½	8,750	128	128
Merchandise National .....	500,000	2½	2½	12,500	98	98
Merchants' National .....	3,000,000	3	3	90,000	137	143
Metropolitan National .....	300,000	2½	3	9,000	115	112
Monument National .....	150,000	5	5	7,500	207	210
Mount Vernon National .....	200,000	3	3	6,000	128	132
National Market of Brigh .....	250,000	3½	3½	8,750	142	142
New England National .....	1,000,000	3	3	30,000	132	140
North National .....	1,000,000	3	3	30,000	124	123
North America .....	1,000,000	2½	2	20,000	105	106
Old Boston National .....	900,000	2½	2½	22,500	60	62
People's National .....	300,000	4	4	12,000	160	160
Redemption, National .....	1,000,000	3	3	30,000	120	115
Republic, National .....	1,500,000	3	3	45,000	129	132
Revere (National) .....	1,500,000	3	3	45,000	118	122
Rockland (National) .....	300,000	4	4	12,000	137	137
Second National .....	1,600,000	4	4	64,000	151	155
Security (National) .....	250,000	† 2½	† 2½	6,250	180	180
Shawmut National .....	1,000,000	3	3	30,000	115	116
Shoe & Leather National .....	1,000,000	2½	2½	25,000	95	97
State National .....	2,000,000	2½	2½	50,000	122	120
Suffolk National .....	1,500,000	2½	2½	37,500	117	115
Third National .....	600,000	2	2	12,000	90	90
Traders' National .....	500,000	2	2	10,000	92	95
Tremont National .....	2,000,000	2½	2½	50,000	108	106
Union (National) .....	1,000,000	3½	3½	35,000	148	140
Washington National .....	750,000	2½	2½	18,750	130	134
Webster (National) .....	1,500,000	2	2	30,000	101	111
Total April, 1885 .....	\$ 52,450,000			\$ 1,436,750		
Oct., 1884 .....	52,450,000			1,468,500		
April, 1884 .....	52,450,000			1,492,500		
Oct., 1883 .....	52,350,000			1,422,600		
April, 1883 .....	52,200,000			1,506,200		

\* Quarterly.

† Not decided.



## CAPITAL, SURPLUS AND STOCK QUOTATIONS OF N. Y. CITY BANKS.

Cl.-Ho. No.	Banks.	Capital.	Surplus. Nat'l B'ks Mar. 10, '85. State Banks Mar. 21, '85.	Stock. Par Value.	Last Dividend.	Market Price of Stock.
1	Bank of New York Nat'l Bkg. Ass'n.	2,000,000	\$1,243,000	\$100	Jan., '85.... 5	\$166½
2	Manhattan Company	2,050,000	984,300	50	Feb., '85.... 4	144½
3	Merchants' National Bank	2,000,000	621,800	50	Jan., '85.... 4	131
4	Mechanics' National Bank	2,000,000	1,193,100	25	Jan., '85.... 4	138
5	Union National Bank	1,200,000	659,900	50	Nov., '84.... 5	150
6	Bank of America	3,000,000	1,582,500	100	Jan., '85.... 5	158
7	Phenix National Bank	1,000,000	260,800	20	Jan., '85.... 3	103
8	National City Bank	1,000,000	1,826,600	100	May, '84.... 10	252½
10	Tradesmen's National Bank	1,000,000	211,800	40	Jan., '85.... 3	98
11	Fulton National Bank	600,000	292,900	30	May, '85.... 3½	115
12	Chemical National Bank	300,000	4,145,000	100	Quarterly 25 ¢	2,518
13	Merchants' Exchange Nat'l Bank	1,000,000	143,800	50	Jan., '85.... 3	96
14	Gallatin National Bank	1,000,000	1,003,600	50	Oct., '84.... 5	165
15	Nat'l Butchers & Drovers' Bank	300,000	286,000	25	Jan., '85.... 4	142
16	Mechanics & Traders' Bank	200,000	62,000	25	July, '84.... 3	100
17	Greenwich Bank	200,000	43,700	25	May, '84.... 3	102½
18	Leather Manufacturers' Nat'l Bank	600,000	446,500	100	Jan., '85.... 5	156½
19	Seventh Ward National Bank	300,000	66,500	100	Jan., '85.... 3	110
20	Bank of the State of New York	800,000	350,600	100	Nov., '84.... 4	108
21	American Exchange Nat'l Bank	5,000,000	1,434,300	100	Nov., '84.... 3½	121
23	National Bank of Commerce	5,000,000	3,057,500	100	Jan., '85.... 4	148½
25	National Broadway Bank	1,000,000	1,422,800	25	Jan., '85.... 10	260½
27	Mercantile National Bank	1,000,000	248,200	100	Jan., '85.... 3	116
28	Pacific Bank	422,700	224,700	50	Nov., '84.... 2½	158
29	National Bank of the Republic	1,500,000	561,600	100	Feb., '85.... 3	108
30	Chatham National Bank	450,000	304,500	25	Jan., '85.... 5	152
31	People's Bank	200,000	133,400	25	Jan., '85.... 5	146
32	Bank of North America	700,000	245,300	70	Jan., '85.... 3	100
33	Hanover National Bank	1,000,000	577,500	100	Jan., '85.... 3½	140
34	Irving National Bank	500,000	166,400	50	Jan., '85.... 5	129
36	National Citizens' Bank	600,000	245,900	25	Jan., '85.... 3½	119½
40	Nassau Bank	500,000	80,600	50	May, '84.... 4	128
42	Market National Bank	500,000	376,600	100	Jan., '85.... 4	138½
43	St. Nicholas Bank of New York	500,000	212,500	100	Jan., '85.... 4	180½
44	National Shoe & Leather Bank	500,000	222,500	100	Jan., '85.... 4	156½
45	Corn Exchange Bank	1,000,000	1,024,400	100	Feb., '84.... 5	160
47	Continental National Bank	1,000,000	233,900	100	Jan., '85.... 4½	108
49	Oriental Bank	300,000	286,600	25	Jan., '85.... 5	148½
53	Importers & Traders' Nat'l Bank	1,500,000	2,738,900	100	Jan., '85.... 7	252½
54	National Park Bank	2,000,000	1,187,900	100	Jan., '85.... 4	148
58	North River Bank	240,000	63,300	30	Jan., '85.... 4	110
59	East River National Bank	250,000	124,300	25	Jan., '85.... 4	122
62	Fourth National Bank	3,200,000	1,162,600	100	Jan., '85.... 4	116
63	Central National Bank	2,000,000	353,300	100	Jan., '85.... 3	111
63	Second National Bank	300,000	37,600	100	Jan., '84.... 10	100
64	Ninth National Bank	750,000	213,000	100	Jan., '85.... 3½	107
65	First National Bank	500,000	3,764,000	100	Jan., '84.... 10	850
66	Third National Bank	1,000,000	153,500	100	Jan., '85.... 3½	100
67	New York National Exchange Bank	350,000	92,300	100	Feb., '85.... 3	100
70	Bowery National Bank	250,000	261,900	100	Jan., '85.... 5	174
71	New York County National Bank	200,000	42,800	100	Jan., '84.... 4	161
72	German-American Bank	750,000	165,400	75	Aug., '84.... 3	100
74	Chase National Bank	300,000	135,800	100	Jan., '84.... 4	185
76	Fifth Avenue Bank	100,000	473,100	100	.....	400
77	German Exchange Bank	200,000	224,400	100	May, '85.... 10	150
78	Germania Bank	200,000	246,300	100	May, '85.... 4	191
79	United States National Bank	500,000	97,400	100	.....	130
80	Lincoln National Bank	500,000	35,700	100	.....	150
82	Garfield National Bank	200,000	57,600	100	.....	125
83	Bank of the Metropolis	150,000	114,800	100	Jan., '84.... 3	100½
84	West Side Bank	300,000	207,100	100	Jan., '84.... 3½	150
84	*Murray Hill Bank	200,000	119,400	100	Jan., '85.... 5	190
54	*Sixth National Bank	100,000	157,800	50	July, '84.... 4	200½
71	*Mount Morris Bank	200,000	53,300	100	Jan., '84.... 4	150
20	*Eleventh Ward Bank	100,000	41,500	100	Jan., '85.... 3	100
65	*Madison Square Bank	100,000	56,700	25	Jan., '85.... 4	130
61	*Seaboard Bank	200,000	10,500	100	.....	95
14	*Produce Exchange Bank	500,000	102,000	100	.....	110
54	*Home Bank	1,000,000	94,600	100	.....	88
54	*Columbia Bank	125,000	7,900	100	.....	88
44	*Nineteenth Ward Bank	100,000	2,700	100	.....	88
		94,100	—	100	.....	—

\* Not members of Clearing-house Association.

## FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, APRIL, 1885.

Opening, Highest, Lowest and Closing Prices of Stocks and Bonds in April.						
GOVERNMENTS.			Open- ing.	High- est.	Low- est.	Close- ing.
Interest Periods.						
Mar.	112½	112½	112½	112½	112	112½
Quarterly	112½	112½	112½	112½	112½	112½
Jan.	121½	122½	121½	122½	121½	122
Feb.	101	102½	101	102½	101	102½
Jan.	125	127	124	127	124	124
&	129	129	127	129	127	129
July.	133	133½	131	133½	131	131
	134	135	133	135	133	133
RAILROAD STOCKS.			Open- ing.	High- est.	Low- est.	Close- ing.
American Cable Co.	—	56½	54	—	—	—
Bank & Mer. Tel. Co.	—	37½	35½	—	—	—
Canadian Pacific.	—	30	29	25	—	—
Canada Southern.	—	94½	94	90	—	—
Clev., Col. Cin. & Ind.	—	130½	133½	129½	—	—
Chicago & Northwest.	—	108	108	103½	—	—
Chicago, Do.	—	8½	8	—	—	—
Chicago, Mil. & St. Paul.	—	17½	15½	—	—	—
Chicago, Do.	—	25	25	24	—	—
Chicago, St. Louis & Pitts.	—	86	73½	74	—	—
Chicago, St. P., M. & O. M.	—	115	112	112	—	—
Chicago, R. I. & Pac.	—	124½	119½	121½	—	—
Chicago, Bur. & Quincy.	—	137½	135½	137½	—	—
Chicago & Alton.	—	5½	3	—	—	—
Chesapeake & Ohio.	—	9	7	7½	—	—
Do.	—	6½	5	—	—	—
Do.	—	33	30½	31½	—	—
Central Pacific.	—	107½	108½	102½	—	—
Colorado Coal & Iron.	—	79½	86½	77½	—	—
Delaware, Lack. & West.	—	—	—	—	—	—
Delaware & Hudson Canal.	—	—	—	—	—	—
MISCELLANEOUS.			Open- ing.	High- est.	Low- est.	Close- ing.
Oregon Navigation.	—	12½	75	—	—	—
Oregon & Trans-Continental.	—	17	17	—	—	—
Ohio Central.	—	5½	48½	—	—	—
Pacific Mail.	—	52½	56½	—	—	—
Philadelphia & Reading.	—	13½	13½	—	—	—
Pullman Palace Car Co.	—	117	117	—	—	—
Peoria, Decatur & Evansville.	—	—	13½	—	—	—
Richmond & Danville.	—	48	49½	—	—	—
Richmond & Allegheny.	—	—	—	—	—	—
Richmond & West Point.	—	23	23½	—	—	—
Rochester & Pittsburgh.	—	2½	3½	—	—	—
St. Louis, Alton and T. H.	—	20	—	—	—	—
Do.	—	19½	19½	—	—	—
St. Louis & San Fran.	—	33½	31	—	—	—
Do.	—	81	81	—	—	—
Do.	—	90½	91	—	—	—
St. Paul, Minneap. & Man.	—	11	11	—	—	—
Texas & Pacific.	—	43½	41½	—	—	—
Union Pacific.	—	57½	55½	—	—	—
Western Union Telegraph.	—	4	4	—	—	—
Wabash Pacific.	—	11	7	—	—	—
Do.	—	—	—	—	—	—
MISCELLANEOUS.	—	135	133½	—	—	—
Express-Adams.	—	94	91	—	—	—
United States.	—	52½	54½	—	—	—
Wells-Fargo.	—	110	109	—	—	—
Ches. & Ohio, series B.	—	73½	72	—	—	—
Denver & Rio Grande 1st.	—	94	86½	—	—	—
Metropolitan Elevated 1st.	—	93½	97	—	—	—
N. Y. B. con. ass.	—	107	109	—	—	—
Lehigh & N. Y. con. ass.	—	105	107½	—	—	—
N. Y. & R. Texas ad.	—	104	106½	—	—	—
N. Y. Chi. & St. L. 1st.	—	76½	79½	—	—	—
N. Y. Elevated 1st.	—	119	118	—	—	—
N. Y. L. E. & W. 2d con.	—	77	77	—	—	—
N. Y., W. Shore & B. 1st.	—	55½	56½	—	—	—
Union Pacific 78. L'd G.	—	30½	38½	—	—	—
Union Pacific 78. L'd G.	—	105½	104	—	—	—
Union Pacific 78. L'd G.	—	113	114½	—	—	—
Union Pacific S. F'd	—	119½	117	—	—	—

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

The month of April has been like the first day. The weather, like that of March, has fooled everybody, and its business has disappointed them. We are within a month of summer, and yet the winter is hardly over. This has been a year without a spring. The first week of March was an exception, and gave us the only pleasant weather during the whole month. The third week of April was the only exception to the cold, unseasonable weather of March. Indeed, not until the fourth week did the fields put on their spring suits and the trees their spring bonnets. This has been a most exceptional season, and it has done as much as the depression to cause an equally backward and bad spring trade.

There are a few branches only that have done as much as usual this spring, so far as this city is concerned. Our merchants, wholesale jobbing and retail, complain bitterly. Traveling men have returned from their April trips with less business than secured on their February trips. Many of them report the worst trip they ever had in the West. They say there is no money, that the country is either poor, or not sending its produce forward to market. The latter reason would appear to be the true one, judging from the premium New York Exchange has commanded in the West, as well as in Canada, for a month past. Yet the reported tonnage of the railroads, both east and west of Chicago, does not appear to bear out this theory. The low price of produce, compared with last and recent years, however, makes such a comparison somewhat fallacious. The tonnage may be larger, the returns smaller, and the agricultural sections poorer. This may be the solution, for it is tolerably certain that farmers have not made much money off the crops of 1884, large as they were. The more wheat they raised, at the prices they have received, the worse off the producers may have been, especially in the more remote sections of the wheat belt. On the other hand, these low prices have netted farmers more than they ever would have netted them before, by reason of the average lower freight rates.

The dry-goods men are among the loudest in their complaints of poor spring trade. This is especially and generally true of the domestic branches, with very few exceptions. The importers of raw silks, Hamburg embroideries, and a few specialties in foreign goods, of the more fashionable makes, have had a good trade. But otherwise, New York dry-goods men talk very blue, though there was some improvement at the close of the month. At the same time reports come from newspaper sources, that Chicago has had a good distributing trade the past month. But this is not reflected in the condition of the Chicago money market, nor in domestic exchange; nor confirmed by Chicago merchants visiting this city.

The manufacturing interests have hardly maintained the early improvement of the year, for an obvious reason, found in the above light distribution of goods. There were light stocks of some manufactures carried

over from last year, and, after the new year, there was an improvement in industrial interests on this account, and in the belief that there was to be an improved demand, if not better prices, when spring trade should open. But it has not opened yet, and most manufacturers are about as blue and disappointed as the merchants. Hence renewed reduction of wages and strikes. As a result, the date for any important improvement, either in our distributive domestic trade or foreign commerce, is postponed until next Fall, unless hostilities between Russia and England previously occur. In such case, the general belief is that all classes of trade and manufactures will be benefited, either directly or indirectly. It is the belief among traders that war between these two countries is inevitable before Fall. This would not only stimulate legitimate business, but, doubly so, speculation. Hence war is most devoutly desired by speculators in every kind of produce, except cotton, as well as, in stocks. Indeed, four out of every five men one meets, unless they are ship agents or cotton men, are waiting impatiently for the peaceful and slow-going Premier of England to begin the fight. The opinion in which Gladstone's peace policy has been held, by people in New York commercial circles, at least, has been hardly less contemptuous and bitter than in England, as expressed in the British press. But this was all changed as suddenly here as on the other side of the Atlantic, on both sides of the English Channel, by the bold and determined attitude taken in his great speech in Parliament on the twenty-seventh of April, since when nothing but praises of him and his policy have been heard down town, where he was taken at his word.

On the following day the grain markets began to advance, both here and in England, and under an excited demand, wheat rose over three cents in one day, followed by the whole list of breadstuffs, with which provisions moved up slightly. Stocks sympathized in prospect of increased earnings, on improved demand for our grain for export. During the same time, cotton broke twenty-three points, or  $\frac{1}{4}$  c., per lb. on confirmation of this belief in war, although it recovered partially on later peace talk. Unless the outbreak of war is delayed, we may therefore regard this movement of the produce markets, which are the first and most directly affected, as the forerunner of an upward movement and greater activity in most branches of trade, excepting cotton and the shipping interests of the two nations at war, whose vessels will be subject to seizure or to discriminating rates of insurance.

This is what everybody thinks, what everybody is waiting for, and the sentiment is liable to be strong and general enough to develop into a genuine bull speculation. Indeed, it is only something to restore confidence that is needed to start up both legitimate business and speculation, by calling out of its hiding places, idle money, and putting it into investments and circulation again. War is almost certain to do this, as prices of nearly every staple of commerce are now regarded as too low to remain, so soon as times are better. Should we get war this summer, therefore, and good crops next fall, this country will be on the high road to another era of prosperity before the end of this year. Hence this gloomy spring and its discouraging trade, are probably the darkness before the day.

Of course, the purely business-aspect of war only is discussed in this column, and its probable effect upon this country's material interests. That it would be great to our benefit in commerce and agriculture cannot be de-

nied. That it may be improved to restore our merchant marine and send American vessels with American manufactures into every port of the world, is too grand and long-awaited for an opportunity not to be embraced by selfish human nature, though thousands must bite the dust to give us this advantage. It was this same cruel fate of war that drove our merchant marine from the high seas, and our carrying trade into English bottoms. There is poetic justice, therefore, in England's being compelled to relinquish our commerce. If our Government is wise, it will improve this opportunity without delay, and not cease to make the most of it until our ocean-carrying trade is done again under the American flag. The insurance companies are already anticipating this good work before the armies begin fighting, in demanding high war risks on English vessels, and treble as much on Russian. One and one-half per cent. on the former and five per cent. on the latter were paid during the last week in April from Mobile to Liverpool on cargo, in addition to the marine risk of  $1\frac{1}{2}$ @2 per cent. The result has been to lay up a Russian fleet in this port, as no shipper can pay such a rate, so long as the vessels of any other nation can be chartered. So it will be, after hostilities begin, with British vessels. If this is true of freight, how much more true will it be of travel, and how long will it be before passengers will refuse to cross the Atlantic in British steamers? Then shipping will be in demand; and, as other nations have few fast boats, there will be inducements to build them, and our idle ship-yards will be called into requisition again.

As the course of almost every one of our markets for the near future depends more upon this question of a war between England and Russia than all others, except, perhaps, crop prospects, there is little to be said of the different staples, except that they are likely to go higher in case of war, while they would be equally likely to lose all the late advance in anticipation of war, should peace be assured. Crop prospects then would be the only thing left on which to bull prices, and it is too early for those to affect anything but winter wheat, while late reports from that crop are much more favorable. The acreage, however, is probably one quarter less than last year. But the spring wheat acreage will doubtless be as large as in 1884. Besides, we have 70 millions of bushels of last crop still in sight, and the invisible supply in addition. Unless we export much more freely, therefore, for three months to come than we have for nine months past, we are likely to go into next crop with over 75 millions of last crop left over. Nor is this all; a very large fleet of English vessels is loading with wheat in the Russian Black Sea ports, and English merchants are transferring their business there to native houses, showing that England is taking the precaution to get Russia's surplus wheat out of her hands before hostilities begin, so that she will not be at the mercy of our speculators afterwards, or compelled to bring Indian wheat around the Cape of Good Hope, should the Suez Canal be blockaded. Wheat will therefore be king in case of war, and speculation has already anticipated it, and crowned it leader of the speculative markets. With it everything but cotton goes up or down, while cotton, Russian and English consols move together. Corn is strong on good export demand, and the fear of manipulation in May, both here and at Chicago, while stocks are less than the average, with the possibility of shutting off the British supplies from the Danube, in case the Black Sea ports are closed by war. Oats are also in ex-

port request, with very moderate stocks, even for domestic consumption, firmly held. Provisions are without manipulation anywhere this year. They have sympathized with wheat on war talk, but are not likely to advance unless war is declared. They have moved all the month by war speculations, as has grain, excepting for the first half of April, when bad winter wheat crop reports advanced wheat and scared the shorts to cover. The supply of summer hogs is largely in excess of last year, and of any year on record, except 1880. But our exports are equally in excess, and the increased supply is needed for the demand, which is likely to be enhanced for war purposes, though canned beef is about all the English Government has bought here, as yet.

Cotton has been held by a bull clique which were loaded up with the stock here last Fall. They have been holding on for supplies, to work off, relying on a shorter crop last year than was realized, to help them out. Now a war threatens to break the camel's back, and the bulls have been throwing over their load and accepting the situation, which is apparently still against them.

The stock market is almost wholly neglected, being completely manipulated by a half-dozen cliques, who have all the stocks, on which the banks are lending them money at one per cent., out of the biggest reserve on record, till war or something else brings in the public to buy. Rate wars, low rates and collapsed freight and passenger pools, receiverships, reorganizations and poor earnings are still demoralizing influences that are likely to exist for some time against stocks. Gold still stays with us, and is likely to, as sterling exchange doesn't advance to the gold export point. At \$4 90 it could be shipped; but yet we are no nearer that point than two weeks ago, and not much nearer than a month ago. But there are evidences of hoarding gold at home. Bonds that are safe investments are not for sale, except at rates that leave only 2@3 per cent. on money, while the cart loads of those that are listed and not dealt in on the Stock Exchange, are neither wanted by those who have or carry them, nor by those who have money to buy them.

Petroleum has hung near 80 all the month, and the situation is not bullish, as the new fields are fair producers. The April production report shows, as compared with March, 32 more wells, 2,500 bbls. more daily production, and 7 less dry holes. New developments show a total of 47 more wells than in March. This, considering the season, is not regarded as a bearish report. The lumber and building trades have shown more improvement than almost any other this spring, especially at the west and in the east, where wooden buildings take the lead.

The month of May opens with renewed peace talk, as did April, and all markets are affected accordingly.

The reports of the New York Clearing-house returns compare as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
April 4...	\$ 302,757,100	\$ 104,484,400	\$ 30,812,500	\$ 352,684,200	\$ 10,953,800	\$ 47,125,850
" 11...	302,098,000	106,055,300	30,953,600	354,415,100	10,963,500	48,405,125
" 18...	301,963,300	107,691,800	32,186,100	357,937,300	10,913,800	50,393,575
" 25...	298,343,700	109,958,400	32,388,200	356,816,700	10,910,800	52,142,425

The Boston bank statement is as follows :

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
April 4.....	\$ 143,282,100 ....	\$ 8,304,600 ....	\$ 5,219,100 ....	\$ 99,242,700 ....	\$ 22,470,800
" 11.....	144,091,300 ....	8,286,100 ....	5,074,000 ....	101,632,800 ....	22,585,100
" 18.....	144,836,300 ....	8,342,300 ....	4,476,300 ....	104,130,500 ....	22,627,200
" 25.....	144,671,900 ....	8,452,000 ....	4,335,400 ....	103,058,300 ....	22,532,200

The Clearing-house exhibit of the Philadelphia banks is as annexed :

1885.	Loans.	Reserves.	Deposits.	Circulation.
April 4.....	\$ 74,987,741 ....	\$ 23,801,083 ....	\$ 72,452,733 ....	\$ 7,690,390
" 11.....	75,020,901 ....	24,055,465 ....	73,148,024 ....	7,705,216
" 18.....	74,761,667 ....	25,139,092 ....	74,599,820 ....	7,690,328
" 25.....	74,264,556 ....	25,759,506 ....	74,295,191 ....	7,694,066

## DEATHS.

BABCOCK—On April 20, aged sixty-seven years, R. S. BABCOCK, President of the First National Bank, Kalamazoo, Mich.

BERTON—On March 31, FRANCIS S. BERTON, of the firm of F. Berton & Co., San Francisco. Cal.

BOESEL—On April 17, aged seventy-one years, CHARLES BOESEL, banker, of New Bremen, Ohio.

CHENEY—On March 31, aged fifty-five years, LOUIS CHENEY, President of the First National Bank of Boulder, Col., and of the Bates County National Bank of Butler, Mo.

COE—On April 26, aged forty-three years, WILLIAM W. COE, President of the First National Bank, Portland, Conn.

DAY—On April 9, aged seventy-eight years, S. SHERWOOD DAY, President of the Tanners' National Bank, Catskill, N. Y.

ERWIN—On March 23, aged seventy-four years, CORNELIUS B. ERWIN, President of the New Britain National Bank, New Britain, Conn.

GRAVES—On February 27, aged sixty-seven years, WILLIAM GRAVES, President of the Liberty Savings Bank, Liberty, Va.

KERR—On March 19, aged sixty-three years, LEVI KERR, President of the Painesville National Bank, Painesville, Ohio.

RAY—On March 30, aged sixty-two years, N. S. RAY, Cashier of the Marion National Bank, Lebanon, Ky.

REED—On March 22, aged seventy years, ALEXANDER REED, President of the National Bank of Coxsackie, N. Y.

STEELE—On March 27, aged thirty-nine years, CHARLES E. STEELE, of the firm of Hamlin and Steele, East Bloomfield, N. Y.

WHIGHAM—On April 2, aged seventy-nine years, WILLIAM WHIGHAM, President of the First National Bank, McKeesport, Pa.

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AND  
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THE BUSINESS SITUATION.

One fact is certain, we are nearer the end of the depression than we were, whether the period of recovery can be seen or not. We are not like a man sick with a fever whose recovery is in doubt. Each day brings us nearer to the happy time when income will exceed expenditure.

If over-production be the chief cause of the depression, surely we must be on the right road to recovery, because for a considerable period production in most branches of industry has been restricted. That over-production is the chief cause is generally admitted. Some persons prefer to use the term under-consumption, but the fact explained by the two words is precisely the same. There is an unusually large surplus of goods seeking for a purchaser, and so the markets are crowded with sellers, and prices give way. In good times, purchasers seek the market in the strongest number, and prices consequently are held more stiffly. So long as sellers outnumber buyers, or the quantity offered for sale exceeds the quantity desired, prices will be weak and tend in a downward direction. All this is well enough understood by the dealers in merchandise.

Political economists, of a large and ancient class, have maintained that over-production was quite impossible. "Are all the people properly fed and clothed," they inquire; and if it is admitted that they are not, then they affirm that over-production has not taken place. "How can we admit this," they say, "so long as people are starving and ragged." Of course, they assume that if a greater quantity were produced, or the quantity now existing were sold at



a lower price, the ill-fed and ill-clothed would be better supplied. But this assumption is erroneous. In the best of times a considerable number of persons, even in this highly-favored country of ours, are not well fed and well clothed, for the very simple reason that they will not work and earn the means wherewith to feed and clothe themselves. If all such to-day had the means to purchase, there is an ample store of products in the country to supply them, but if they will not work, they can never obtain them except through charity. Political economy has nothing to do with charity; when we regard man in that way we enter another domain. Political economy regards man simply as a producer, exchanger and consumer of wealth, and we maintain that there is a surplus of products—not so large as existed a few months ago, indeed—the proof of which is very apparent. Of course, there is a class temporarily out of work who in good times consume more largely than they are consuming at present, but if they consumed as much now as they usually do, a surplus of products would remain unsold much larger than would be were business very prosperous.

The surplus of production is diminishing, however, in several ways. One way is in the closing of mills and other agencies of production, especially those which can least successfully compete with similar establishments. Another is in the shortening of the hours of labor. In both ways a remedy is found, costly indeed to apply, but less costly than to continue production and sell at ever-increasing loss. Much has been said of late about opening up foreign markets, but the more carefully this subject is studied the less faith is shown in the remedy. Other nations have over-produced, and are just as anxious as we are to sell their productions, and if we should invade South America, for example, we would be met by English and other foreign sellers, and a fierce competition to sell would arise. No one would make any profit; on the other hand, all would lose, and the more we sold the greater would be our loss.

We are, therefore, applying the proper corrective, however harsh and unwelcome it may be, and the proof is seen in diminished production. As the result, sooner or later the surplus will have been sold, the people will have settled along the newly-constructed lines of railroad, they will begin to earn dividends, the owners of the stock will have more means for new enterprises or consumption, and business will generally revive. A cursory examination of the cause of the existing depression then points clearly to the remedy, and this men have been pursuing. It is true that in too many cases the producer has abstained from applying it, hoping and believing that others would be obliged to curtail production and he escape. But curtailment in some form or other has been pretty general, showing clearly enough two facts—first, that producers be-

lieve there are too many goods in the market; and secondly, to lessen the quantity, less should be produced.

It may be remarked that not as large stocks are kept now as formerly by middlemen. A marked change is going on in that regard. There is less need to make goods so long in advance than formerly, because through a different mode of distribution, the employment of traveling salesmen, and facility for transportation, new supplies can be obtained so easily. The visible supply of all kinds of products is more clearly seen, and they have a more marked effect on prices than they would have if the quantity were less accurately known.

At the present time two distinct effects are perceived: First, more wealth is lost than in good times; and secondly, settlement through bankruptcy, and in other ways, of a vast amount of indebtedness. Not all who are engaged in business have by any means lost; on the other hand, there has doubtless been a gain, though not as great as it once was. The Cincinnati *Commercial Gazette* in a recent number said, when touching on this point: "As the annual accretion of wealth is computed to be about \$500,000,000, it follows that we have been growing rich only a little less rapidly than usual, which is nothing to feel very bad about. The loss has been severe in individual cases perhaps, but as a whole the country has been prosperous. In regard to manufactures, the same rule applies, that consumers in general have saved money by the low prices which have prevailed, although producers have failed to make their usual profits, and as we do not export many domestic made articles, we have not lost much in that way. It would seem that the circumstances have been such as to conduce to the greatest good of the greatest number, as all are consumers, while comparatively few are proprietary producers."

It probably is true that in the present depression losses have been greatest and most general by those who could best sustain them, but we should hesitate to subscribe to the doctrine that a real loss could in any sense be considered a gain to anybody. If things are sold below cost; because people cannot afford to pay that price, the loss may be less to the seller than it would be if he kept them; and if the buyer should ultimately go into bankruptcy and get them for nothing, even in that case he would be no better off than he would if he had had the means to pay for them. It may be a desirable thing to make wealth less rapidly than we have done, but this is a very different state of affairs from trying to even-up the condition of men through bankruptcy. That is a bad state of things, and while we may regard small profits with a good deal of serenity, the more rapidly losses and bankruptcies diminish the better.

## THE SILVER DANGER.

The decline in the quantity of gold and increase of silver in the Treasury has again excited the fear that the Government may be landed on a silver basis, unless some remedy can be found for averting the danger. The total quantity of gold and silver in the Treasury, excluding that held to redeem outstanding certificates on different dates is given in the following table:

<i>Date.</i>	<i>Net Gold.</i>	<i>Net Silver.</i>
January 2, 1884.....	\$ 154,465,980	.... \$ 27,169,227
January 2, 1885.....	141,688,432	.... 36,353,009
February 1.....	125,187,596	.... 41,386,925
March 1.....	127,346,552	.... 46,084,185
April 1.....	125,793,256	.... 48,085,750
May 1.....	117,927,394	.... 54,039,274
May 9.....	116,141,124	.... 55,811,978
May 23.....	115,597,130	.... 59,209,995

From this table it will be seen that the gold in the Treasury has diminished \$23,761,038 during the year, while the silver has increased \$17,686,265 during the same period.

The following table, containing the percentage of gold and gold certificates, silver dollars and silver certificates, and United States notes received at the New York Custom House, is valuable in this connection:

<i>Periods.</i>	<i>Gold and Gold Certificates.</i>	<i>Silver Dollars and Silver Certificates.</i>	<i>U. S. Notes.</i>
Monthly av'ge for fiscal year ending June 30, 1884.	69.1	22.2	8.7
Monthly av'ge for six months ending Dec. 31, 1884.	34.8	34.9	30.3
January, 1885.....	27.6	40.7	31.6
February.....	31.9	31.9	36.2
March.....	41.0	34.9	24.1
April.....	38.9	41.9	19.2
Monthly average for four months of 1885.....	34.8	37.4	27.8

This table clearly shows the diminishing use of gold and increasing use of silver in making payments at that place. The movement has not always been regular, but no one can study these figures without conceding that silver is steadily encroaching on gold, and that if much longer continued, will effect a change in our standard.

What is to be done to stay the impending danger? It is reported that the Secretary of the Treasury, instead of trying to put silver certificates into circulation, will disburse silver dollars in place of \$1 and \$2 legal-tender notes. At the close of the last fiscal year

there were then in circulation \$39,545,461 silver dollars, \$26,660,181 of \$1 notes, and \$24,897,886 of the twos. As \$24,000,000 must be expended annually for the purchase of silver bullion, the issue of silver dollars in place of the \$1 and \$2 notes could probably not be made rapidly enough to prevent an accumulation of silver in the Treasury. The rate of exchange is very near the gold exporting point, and if that should occur, many think the event so long feared would occur. We are assured that the administration is determined to do all that it can to avert the danger, but no policy can be devised which will effectually keep the country off the silver basis if the present coinage system is continued. All that the administration can do is to gain time. If the danger should be too near, the President can convene Congress in extra session to grapple with the question; but doubtless the administration would wait as long as possible before venturing on this step.

It has been remarked by a prominent banking officer that the banks are bound by every consideration of obligation to the community, and of prudence in the care of the interests of their depositors to preserve the general currency on a gold basis, and to continue to treat, as they have hitherto treated, the silver currency "as an unavoidable infliction, to be separated in practical business from current money by marked discrimination." The method of carrying out this principle is to receive from the Government, through the Clearing-house, the currency the Government may have to offer, but setting it apart and treating it as a special fund, "to be paid over to the banks interested in the very money received on their behalf." No silver or silver certificates need be offered by any bank in the settlement of its Clearing-house balances, and none would need to be refused. Such as came from the Government would be received and used as opportunity offered. But the Clearing-house settlements and the reserves of the banks would be preserved, and the gold standard would be maintained. Silver would not be any more than it has been in New York bankable money, while it would continue in general circulation undepreciated until such time as its volume became too great for such use.

Such a policy is worthy of consideration. Every effort should be made to sustain the gold basis, and the banks, it is certain, will do whatever they can in this direction. It is also certain that Congress can no longer delay action, and in a few months, at longest, we shall know whether the long-established gold standard is to be preserved or to be replaced by a silver one. Public sentiment is by no means united, but let us hope that the good sense of the people, which has so many times prepared a safe path wherein to walk, will prevail in the settlement of this question.

## COMMERCIAL CITIES.

In a paper read not long ago before the American Society of Civil Engineers, by A. F. Sears, he endeavored to show under what conditions commercial cities come into existence and flourish. He said that because capital and railroads were powerful enough to root out stage stations and build up prairie towns and manufacturing villages, many had concluded that these agencies were able to make or unmake almost any place. "The Atlantic coast is strewn with ruined hopes in the shape of stillborn cities, having excellent harbors and abundance of water front, of which the only *raison d'être* is superior facility of access from the ocean. These harbors, which have not become the important ports they were expected to prove, are generally the object of enterprise begotten by the virile brain of civil engineers impregnating the waiting capital of speculation. There has been abundant honesty of purpose in the design, and no excessive credulity in the investment; but there appears a failure to comprehend and appreciate the laws of trade affecting the project."

Mr. Sears then compared the growth of Boston and New York. Forty years ago when the first steamer of the Cunard Line entered Boston harbor, the merchants there were certain of gaining a great commercial triumph over New York, because they were twenty-four hours nearer Liverpool. Nevertheless, New York pushed ahead, and no amount of money expended by Boston to tap by a short route the western country north of New York, or to draw traffic directly from New York by shorter railway lines, has yet effected the object of the projectors. The reason is because New York is more than 200 miles nearer the heart of the country than Boston. The moving mass that seeks transportation reckons that distance to be as nothing on the ocean compared with the cost of movement on land or river. The cargo of a greater steamer transported between New York and Boston forty years ago would have demanded the service of ten locomotives and 400 cars. On board the ocean steamer it represents only the comparatively inexpensive continuance of her voyage for another day.

Mr. Sears gave other instances of the same kind. Going South, he said that every commercial port had been made the mark of ambitious rivals, supposing that an error had been committed in fixing the original location. For thirty years capital has struggled to build a commercial city at Brunswick, Georgia, in rivalry with Savannah. The capital and the superior facilities, and the twenty-two feet of water on the bar, all exist there, but as yet no important port has arisen from their ingenious combination.

The same thing was true with respect to Jacksonville and Fernandina. "Jacksonville is twenty-eight miles nearer the heart of the country than its rival, and is situated on a fine river, watering a region thus made tributary to the town, and reducing cost of transportation to a point below that which permits any land-line to be its competitor. When the war came upon that coast both places were abandoned by the native population, and after its close both became objective points of interest to northern emigrants. The uniform result has followed: Fernandina is a respectable village with a population of 2,500 souls, while Jacksonville has already 15,000 inhabitants."

Going to the Pacific coast, the writer gave an interesting illustration from the history of Astoria and Portland. The former was founded by one of the wealthiest, most enterprising and far-seeing citizens of the country as the depot of the fur trade of the Northwest. "But when the fur trade failed, and simply a home market existed for the salmon of the Columbia, the men who had staked their fortunes or their hopes on that important point beheld with new satisfaction the settlement by Americans of the great Willamette valley above them. It was a natural expectation that Astoria would become the port of the region. It has grown continually and is still growing. But this town, situated but a few miles above the Columbia river bar, with a life covering three-quarters of a century, has during the last twenty-five years seen Portland come into being a hundred miles above, and attain a population of 40,000, while Astoria has never yet sheltered more than 3,000 souls."

From these, and other illustrations, the writer deduces the proposition that the commercial part of a region will be as close to the producer as it is possible to go, and obtain reasonably good facilities for the class of transportation demanded by the produce of the country.

"Nevertheless," he adds, "not a decade passes without adding a new experiment to the list of failures; and the failure has been universal so far as the destruction of the island port has been concerned. We are not free to accuse shrewd business men of attempting to oppose their own force to establish law; but we may fairly suppose, and we repeat it, that the law has not been apprehended, or, at least, that its value has not been appreciated. If we may judge by the common argument, we are justified in believing that the greater number of intelligent men of enterprise consider the location of capital at a given point by far the most important factor in determining the location of towns and ports; and this is precisely their blunder."

It is difficult to account for the singular persistency with which this mistake of capital is repeated, since, in whatever direction we turn, the one law is exemplified—the one lesson taught. In accord-

ance with this law, Montevideo, on the outer coast of South America, has a population of forty thousand, while Buenos Ayres, a hundred and thirty miles up the river, contains nearly a half-million inhabitants. Guayaquil, in the edge of a sickening swamp, might have been healthily placed forty miles further down stream, at a point famed for its salubrity, imposing forty miles less of river navigation with equally good anchorage and better potable water for a population. The expense of transporting the products of the country by the agency of native boatmen on *balsas* or in canoes to a situation where whites can live without fear of malignant fevers, would be trifling indeed, but such a course would separate the speculator from his game, the cocoa, hides and woods of the country, and the merchant from his customers, the producers of those articles, by all that distance of forty miles.

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### SOCIALISM.

Anything that Prof. Laveleye may write is sure to find many readers, and *Socialism of To-day*, we are sure, will form no exception. It is judicial in tone, limpid in style, well-informed at every point, and in sympathy with all movements truly helpful and uplifting to men.

The term Socialism, as the translator remarks, is an exceedingly elastic one. "It has been used to include a revolutionary anarchist, like Bakunin, who seeks to destroy, by any and every means, all States and all institutions, and to eradicate utterly the very idea of authority; as well as a constructive statesman of the conservative type, like Prince Bismarck, whose aim is to concentrate much power and many functions in the hands of a paternal government." The author says he has never met with a clear definition, or even precise description, of the word. After criticizing Proudhon's definition he adds that it omits two characteristics. "In the first place, every socialistic doctrine aims at introducing greater equality into social conditions; and, secondly, it tries to realize these reforms by the action of the law or the State."

Within twenty years the doctrines of socialism, either in their extreme or moderate form, have spread rapidly over the world. Many who disavow the term when applied to themselves, are nevertheless classed as socialists by those who openly profess socialistic doctrines. For example, in England, among the higher and wealthy classes, the doctrine of *laissez faire* has not yet lost much force; they continue to preach that the true path to wealth and success is through the largest freedom of movement, and yet in this same England wonderful strides have been taken within a few years in the way of exercising a larger care over the lives, health, and general welfare of the working classes, while the cities and villages everywhere are

constantly extending their functions in compliance with the general desire. No fact is more apparent in modern English life than the extension of political functions for the purpose of satisfying the desires of the people, which cannot be otherwise or less perfectly satisfied through individual action. Thus, the cardinal conception of socialism, as expressed by our author, has impregnated recent English legislation, and the magical development already seen is probably only the introduction to that which is to come.

The work opens with an account of the progress of socialism, of the teachings of the church, and those of Plato, Sir Thomas More, Campanella, and others. "Every Christian," says M. Laveleye, "who understands and accepts the teachings of his Master, is at heart a socialist; and every socialist, whatever may be his hatred against all religion, bears within himself an unconscious Christianity."

The author shows in a very clear manner how socialistic ideas have grown in consequence of the transformation in the condition of the laborer. Formerly, the portion that the agricultural laborer was to receive was regulated by custom. "The metayer system of co-operation farming, the customs of perpetual leases, and of payment of rent in kind, were not liable to change, and the future of the present was thus secured. His existence did not depend upon the stern law of competition. Rent, like wages, is to-day determined by the law of supply and demand. No doubt the serf was bound to the soil, but he had the right to live and die upon it. To-day no legal tie binds the tenant to the land which he improves. The landlord can remove him at the end of his term, or he can raise the rent according as the value of the land increases."

Those who work in factories, too, are further removed from their employers than they were in the olden time, but the workers are brought more closely together, and their unions have given birth to new ideas and aspirations. If the aggregation of capital and construction of great factories, the extension of machinery and subdivision of labor, have resulted in cheapening products and thereby improving the condition of the consumer, unquestionably such uses of wealth and skill have wrought marvelous changes in the thoughts and hopes of employed and employer.

In this connection we cannot omit the following paragraph: "Formerly men were not so tormented by the desire to change their condition, because they did not see their way to do it. They had neither the ambition to rise nor the thirst for riches, because all this was beyond their reach. Their destiny being settled here below, it was toward the other world that they directed their hopes. To-day they wish to be happy in this world, and are bent on destroying everything which offers an obstacle to the realization of the equal distribution of terrestrial blessings."

The work is one of unusual interest. If less is heard of socialism



in this country than in Europe, it is because the conservative kind forms so much of the web and woof of our institutions that hardly more is thought of it, than of the air we breathe or the sunlight in which we daily rejoice. And if there is less danger of our suffering from the radical forms than older States, we cannot study too closely the conditions of their origin and seek to improve the lot of man in every rational way through collective, as well as through individual action, so that we may not see our capitals ravaged by dynamite and petroleum, like Paris at the hands of the Commune.

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### EFFECT OF RELATIVE PRICES ON THE FLOW OF THE MONEY METALS.

[CONCLUDED FROM THE MAY NUMBER.]

The most extreme case which has ever occurred of a movement of metallic money from a country not caused by disparities in prices, was that of the transfer of French gold and silver to Germany, as the result of the war indemnity exacted from France after its crushing defeat in the Franco-Prussian War of 1870-1. The case was extreme, both in its suddenness, that is to say, in the short space of time into which the abnormal movement of money was compressed, and in the magnitude of the movement. The French gold and silver transferred to Germany, and thence diffused over other European countries, caused that extraordinary inflation of prices in Europe during 1871 and 1872, the recoil of which constituted the financial and commercial catastrophe of 1873, about which European writers mystify themselves and do their best to mystify others, by giving for it every imaginable explanation except the plain, obvious and true one. France did not share in the inflation of 1871-2, inasmuch as its increased issues of paper money did not go beyond making good its loss of metallic money, and the lower range of French prices, as compared with general European prices, in no long time brought back the coin which France had been compelled to part with. The other countries in Europe could not retain it, because they had obtained it in an unnatural and violent way, and because the territorial distribution of money in Europe was sure to be controlled at last by the relative prices of all the European countries, including France, one of the most important of them.

The effect of international lendings of money to decrease the money of the lending country, and of international borrowings to increase the money of the borrowing country, so far as it has been observed in the actual experience of the world, is short lived. The limits of international credit are narrow. Lending countries soon

find that the new loans which they can safely make do not exceed the interest which they receive upon old loans, and borrowing countries find that the increase, if any, of their money from current loans is soon followed by a tendency to its being decreased by the necessity of paying interest upon their past borrowings.

The London financial writers of the present day are in the habit of describing the cause of the international movement of metallic money as being, not the relative prices of commodities, but the relative rates of interest in different countries. The English are so much a nation of bankers and money lenders, or, at any rate, banking and money-lending constitute so conspicuous a part of English business, that when English writers speak of "the value of money," they mean, not what it will buy in the merchandise market, but what borrowers will pay for the use of it. As one of the natural consequences of that local idiosyncrasy, they think that money will always go, not to places where the best bargains in merchandise can be made, but where the best rates of interest can be obtained by loaning it. They therefore conclude, that when the tendency of gold is to flow out of the United Kingdom, and the stock of that metal in the Bank of England threatens to fall below what they regard as the limit of prudence, they have only to make the rate of interest in London higher than it is at other commercial and financial points in the United States and in Europe. When that is done, they assume that London bankers will call home such balances as they have abroad subject to call, while at the same time foreign bankers will send funds to London under the temptation of the higher loaning rates to be obtained there.

Without doubt, there is a certain amount of money in the hands of bankers, which is movable from one country to another, and in respect to some portion of it the attraction of an improved rate of interest may be supposed to be sufficient to cause its actual movement. But the amounts of money belonging to bankers which are movable within any short period of time are very small. Even in respect to London, reputed to be the greatest center of ready cash, the London *Economist* of February 4, 1882, said:

"The whole sum in London unused, and entirely at liberty, was estimated by a very competent observer, some ten or twelve years ago, as not being more than four millions sterling (\$20,000,000); two of them being reductions which bankers might at that time make in their balances at the bank, and two more, the further amount, which the bank might conveniently share from its reserve. The margin at the present moment is very considerably less."

In this country, a lock up, in February, 1881, by the National banks in the United States Treasury, of \$18,764,434, within the space of a little more than two weeks, carried up the rate of interest in Wall Street to one per cent. per diem. And small as the amounts of the movable money of bankers are, it is only a part of

them which will be attracted from one locality to another by differences in the rates of interest.

The tendency to an outflow of money from countries in which the range of the prices of commodities is too high relative to prices elsewhere, will continue indefinitely until the equilibrium of prices is restored, and the actual outflow, although it may be checked, or postponed by the temporary expedient of foreign loans, cannot thereby be finally averted. The drain of money from a country, resulting from too high a range of its prices, operates with a steady and continuous power, and will at last overmatch any limited supplies, even if they are large. No remedy short of stopping the cause of the drain will cure the difficulty.

The discussion of this question has more than a merely speculative interest. If it is true that a country on the metallic standard cannot raise its prices above a certain point of equilibrium with the prices of other countries on the same standard, without incurring the consequence of an outflow of the monetary metals, it must also be true that no country can determine arbitrarily for itself what the volume of its money shall be. It can only have on the average such a proportion of the total volume of the money of the commercial world, including paper kept at a parity with the metals, as will maintain its own average prices at the required equilibrium with prices elsewhere. The legislators in any country, who imagine that they can fix the volume of its money at the point which they think is "necessary to transact its business," or is demanded by the "wants of trade," never fail to find by experience that an amount of currency which raises prices above a certain range is sure to be depleted by an export of money. \*Undoubtedly it is possible, by creating a paper currency like that of the State banks prior to the civil war, responsive as to its quantity to "commercial demands," to enlarge it at certain times independently of relative prices at home and abroad, but every elevation above the proper limit will be followed by a corresponding depression below it, so that, on the whole, an average equilibrium will be maintained.

The amount of currency which a country can have consistently with the necessity of its being at an equilibrium with currencies elsewhere, will depend upon its special situation as a debtor or creditor in its international dealings, as a producer or non-producer of the precious metals, or as using more or less of the expedients, such as checks and Clearing-houses, by which the use of money is economized. Great Britain can permanently maintain a larger volume of currency and a higher range of prices, in consequence of receiving an enormous annual revenue from its foreign investments, which offsets the adverse balance of its foreign merchandise trade. India, on the other hand, being obliged to pay a heavy annual for-

eign tribute, and having no mines of gold or silver, while habituated to a large use of both in the arts, must content itself with a volume of currency and range of prices which will cause the favorable balance of its foreign trade to be permanently a large one. Australia, with a production of gold in excess of its monetary wants, has, and must have, a range of prices which causes a steady outflow of that metal, and a volume of currency which will create such a range of prices. Great Britain, which has carried the expedients for economizing the use of money to a very perfect degree of development, cannot, without a dangerous inflation of prices, maintain its currency at so high a point *per capita* as France, in which such expedients are comparatively little known.

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### FINANCIAL FACTS AND OPINIONS.

Newspaper accounts from the South represent that the loaning of foreign money upon real estate is in progress upon an enormous scale. The Corbin Banking Company, as an investor for English capitalists, is reported to have loaned five million dollars in South Carolina, Georgia and Alabama. Two other companies, representing the same capitalists, are said to have loaned half a million in South Carolina. It is stated in a newspaper in Sumter County, in the last-named State, that half of the farms in that county are mortgaged to foreigners. In Texas, the papers represent that the agents of foreign lenders are found in every large town, and are doing an immense business. The rate of annual interest exacted in all these Southern loans is ten per cent. That rate, ruinous as it is in agricultural operations, is below what the local lenders demand, and the borrowers are further said to be reconciled to it by the assurances that the principal will never be called for so long as the interest is punctually paid. It is not doubtful that upon that condition, the thrifty lenders will devoutly pray that the principal will never be tendered to them.

The Georgia four-and-a-half-per-cent. bonds, having thirty years to run, were finally disposed of at a premium of  $1\frac{1}{8}$  per cent. The amount sold was \$3,392,000, and the contractors for the loan are said to be making handsome profits by re-selling at higher prices. The proceeds of the loan are devoted to paying off other bonds of the State bearing larger rates of interest, none of them being less than six per cent. The large reduction of the debt of the United States is one of the most important of the circumstances which have improved the market for State bonds.

During the three months ending March 31, 1885, the exports of gold were \$3,915,236, and the imports \$5,719,485, making a net im-

port of \$1,804,249. During the same months the exports of silver were \$7,854,948, and the imports \$3,983,055, making a net export of \$3,871,803. Taking the two metals together, the net export was \$2,07,644.

The present debt of Connecticut grew out of expenditures connected with the Civil War. At its maximum it did not exceed \$8,000,000, an insignificant sum compared with the wealth of the State, and is reduced now to \$4,275,000. It will seem extraordinary that the persons who control the finances of Connecticut should have decided to extend \$1,740,000 of the remaining debt for a further term of twenty-five years, and to a date forty-five years after the Civil War closed. They do not propose to pay more than three per cent. per annum for the extension, but they make the extended debt non-taxable, and they take the risk, which is a very considerable one, that the purchasing power, or value of money, will be greater in 1910 than it is now. The taxpayers, who are by this operation compelled to pay, under the name of interest, \$1,305,000, without reducing the principal of this extended debt, receive no consideration except the satisfaction of proving that the credit of their State is exceedingly good. But that fact has been long thoroughly known, and needed no new confirmation.

The Connecticut three per cents, referred to above, were sold at a premium of  $\frac{87}{100}$  of one per cent. to bankers in this city.

The descriptions and amounts of United States bonds held in the Treasury as security for National bank notes were as follows, at the dates named:

	1885—March 14.		1885—May 9.		1885—May 23.
6s.....	\$ 3,520,000	....	\$ 3,520,000	....	\$ 3,520,000
4½s.....	49,097,550	....	49,097,550	....	48,504,550
4s.....	117,841,000	....	117,481,050	....	117,553,550
3s.....	145,369,450	....	145,109,350	....	144,169,350
	<u>\$ 315,828,000</u>	....	<u>\$ 315,207,950</u>	....	<u>\$ 313,747,450</u>

During the first nine months (ending March 31) of the current fiscal year, the favorable balance of our foreign merchandise trade was \$149,509,762, as compared with a favorable balance of \$83,226,763 during the corresponding months of the last fiscal year. It is not possible to account for the high prices of sterling exchange under the circumstances, in any other way than by supposing that the flow of American stocks and securities from Europe to this country has recently been large. All the information which is accessible tends in the direction of confirming the belief that this supposition is correct.

From a letter from Rome, printed in the London *Economist*, of April 18, it appears that in the six Italian banks of issue there was an increase of gold between December 31, 1883, and March 1, 1885, from \$44,049,600 to \$62,619,800, and a decrease of silver from

\$19,860,600 to \$11,884,400. The writer states that the banks have obtained this increase of gold by withdrawals of it from the circulation and from the Treasury. During the calendar year 1884 the excess of the Italian imports of gold over exports was only \$29,321, if the Custom-house returns can be relied on. The writer adds that banks redeem their notes in silver only, and that, as a result, "gold is very little seen in circulation." He also states that "silver five-franc pieces are now thinning out, all transactions being made chiefly in bank notes, except for small change." In respect to Italian opinions upon points connected with "the battle of the standards," the writer says:

Our large bankers are mostly fervent bimetallicists; the Government and practical politicians are temperate bimetallicists; the men of science are mostly gold monometallicists. People at large do not care at all for gold coin; they dislike silver, and prefer paper.

Among all classes there is, according to the view of this letter, "a full agreement" that for the present the Latin Union Treaty, which expires on the 31st of next December, should be extended.

We referred in our last number to the statements made by the *Evening Post* of this city, that American purchasers of European paintings are not only "pillaged of hundreds of thousands of dollars" every year, by counterfeits sold by the Paris and Brussels dealers, but that they are also thoroughly fleeced by the enormously excessive prices of the genuine pictures which they buy. The conclusion of the *Post* was, that "this business is apparently but just beginning, and as our wealth increases, we are in danger of being defrauded in arithmetical progression." We have since seen in another city contemporary, the *American Protectionist* of May 16, the statement that the European dealers in other art objects besides pictures find American buyers generally very gullible, and, of course, it is not to be imagined that they fail to take advantage of that happy circumstance. The *Protectionist* says:

There are no more servile imitators of the worst foreign fashions than American art traders. For the most part, they would rather pay an extravagant price for a foreign sham, than a reasonable one for a native work of original merit.

Many persons in this country have persuaded themselves that it is the duty of Congress to put European pictures and works of art in general on the free list, for the special benefit of the rich people who buy them. It is well enough for the common run of taxpayers to have an idea of the real value to the country of these art objects, the free importation of which must compel a raising of duties upon other things. The result of a full exposition of the subject may not improbably lead the public mind to the conclusion, that instead of putting European pictures and works of art on the free list, the best policy will be to double the duties on European

humbugs and shams of all descriptions. The genuine American dude will buy a foreign article anyhow, and the higher the price the more he will buy, although he would pay the higher price more cheerfully if he supposed that it all went to the foreigner, and none of it to the government of his own country, for which he is in the daily habit of expressing his thorough contempt.

During the last British fiscal year, which ended March 31, the income tax of sixpence in the pound yielded twelve millions sterling, although this, according to the statement of the Chancellor of the Exchequer, was a little swollen by the receipt of some taxes which did not properly belong to the year. With the same rate of tax, he did not suppose that it would yield as much during the present year. To make it yield more, he proposed to raise the tax to eightpence in the pound, and it will, in fact, probably be raised to ninepence in the pound, in consequence of the violent opposition to his plan of increasing the excises on spirits and beer. But, in all ways, he has not proposed to meet more than half the expected deficit of this year by taxation. The other half he intends to take out of the sinking fund, which means that the project of seriously reducing the British National debt is to be indefinitely postponed.

Special agent Evans of the Treasury Department reports, in respect to the hope that the proposed reciprocity arrangement with Mexico will increase our trade with that country, that "disappointment awaits such expectations." He says that of the seventy-three articles which the arrangement proposes to exempt from duty when imported into Mexico from the United States, fifty are already free independently of the arrangement, and that twenty-three are "articles for which there appears to be no market in Mexico." The United States Senate ratified the treaty embodying this arrangement in the winter of 1883-4, but it was made dependent upon the willingness of the House to pass a bill to carry the arrangement into effect. This, the last House steadily declined to do, and we presume that the present House will also decline to do it. In addition to the fact that the treaty seems to have been negotiated with very little wisdom, it is doubtful if any House will ever again ratify a reciprocity treaty of any kind. The Senate naturally inclines to the policy of reciprocity treaties, because they give to that body, in conjunction with the President, the power to control tariff taxation. Quite as naturally, the House is opposed to such treaties as destroying its own power over custom-house duties. The general sense of the country has, we think, always been against reciprocity treaties, and the feeling of that kind was certainly intensified by the avalanche of such treaties negotiated during the expiring days of the administration of President Arthur. It is a dangerous thing to have our tariff laws tampered with by the privately concocted

schemes of agents, known and unknown, of the State Department, and then acted upon in secret sessions of the Senate. No changes should be made in any part of our revenue system, without full discussion in open sessions of both the House and Senate, and without giving an adequate opportunity to the people to suggest to their representatives all pertinent facts, arguments and views.

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### WEBSTER AND FINANCE.

The charter of the first Bank of the United States expired February 25th, 1811. Incorporated by an act of Congress twenty years previous, it had during this period exercised a most beneficent influence upon the currency, credit and financial strength of the Government. From being a nation of little or no financial respectability, we assumed by this act, and those connected with it, to place ourselves where foreign criticism, directed with whatever intent, could not successfully assail us. The foundation was then laid for whatever of financial strength and endurance this nation has exhibited during the long and frequently trying periods of its existence.

If there have been in our history apparent departures from the wholesome position then assumed, the error must be looked for in later measures antagonistic to the sound principles then for the first time promulgated in this country.

Before proceeding farther let us ask the question, what were the elements of strength residing in these measures which gave assurance of permanence and lasting power? The answer is easy.

The first thing for which provision was made by the infant Government was revenue from legitimate and constant sources. A wise provision most assuredly. The second followed of necessity, an adequate and satisfactory arrangement for its receipt, custody and disbursement under wise rules and with proper restrictions. All debts were thus to be provided for and their payment assured. This was to apply not only to debts of the future not yet created, but for such indebtedness as then existed, ample provision was to be made by means of a sinking fund. The public credit was to be the object of the utmost solicitation. Every possible contingency was to be sought out and, as far as possible, provided for. The currency of the country was to be maintained on a strictly specie basis at all hazards, and suitable mint accommodations and regulations were to be maintained toward the furtherance of this plan. The proper organization of the wealth of the country as a source of National power was, in brief, the utmost end and aim of the projectors of our National system of finance. The "bank" was to be the fiscal agent of the Government. Outside of the Treasury it furnished the



*modus operandi* for all the schemes for the systematic improvement of our financial condition. It was also designed to combine, in some degree, at least, the public debt with the capital of the bank, thus identifying the interests of each. The bank, while in all essentials an independent corporate institution, acting for itself and by itself, held those relations with the Government, its creator, which precluded any but the most friendly and helpful motives in its administration.

With such principles as the bulwark of our financial system, it is not too much to say that strength and durability are but synonyms for its real character. Would that in after time, when the genius of Hamilton no longer moved upon the material elements, his successors had possessed the fortitude and wisdom to stand by these first principles so clearly and well enunciated, and the practical working of which left almost nothing to be desired. Yes, it was the gigantic intellect of Alexander Hamilton that gave birth to this system of credit and of commercial economy, which, in its intelligent use, never fails to bless, and from which, when men choose, rashly, to depart, follows untold evil consequences.

He well knew, as he afterwards said, that in the magnificent achievements which he had wrought for the nation, he had been "laying the foundation of a system which may shield posterity from the consequences of the usual improvidence and selfishness of our ancestors, and which, if possible, may give immortality to public credit." He was not the exponent of any such system, as afterward, unfortunately, gained some foothold among a certain number of our representative men, that the first concern of a government ought always to be for itself, the second for the people. His was no such shallow idea. The people first, government afterward, was his motto. He knew that the highest, most intelligent needs of the subjects satisfied, made good government, and nothing else could, however ingeniously contrived. And so the system of Hamilton lives to-day as vital and irreproachable as ever.

Having thus briefly outlined the system instituted by Hamilton, for the improvement and conduct of our financial affairs, it only remains to be illustrated to what extent the ardent hopes of its founder were realized. To say that Hamilton confidently expected grand results is not to overstate the matter. Certainly the conditions surrounding him at the outset were deplorable enough.

The first indication, or almost the first, we find of the popularity and success of the bank was the steady and rapid appreciation in the market value of its stock. At the first, the Government was the owner of 5,000 shares. In view of the high market value of the stock, and the consequent profit to be gained by disposing of it, the Treasurer deemed it wise to sell from time to time a portion of the Government holding. It was accordingly sold in small

parcels, with a profit to the Government over and above all dividends of \$721,620. At all times during the continuance of the institution its stock commanded a handsome premium, and it paid an average dividend of a fraction over eight per cent. per annum. So much for the standing of the first bank of the United States.

Then, that the credit of the nation did not suffer under the new order of things will be realized when it is stated that in 1802 the stocks of the United States sold at higher rates on the London Exchange than those of Great Britain. Contrast this with the state of affairs in 1790.

In 1803 the United States purchased Louisiana of Napoleon at a net cost of \$15,000,000. Under ordinary conditions, especially during the comparative infancy of a nation, the assumption of such a burden of debt would seem like gross recklessness, and yet, so strong and vital was our condition that this act involved no new course and necessitated no change in our financial methods.

Further light is thrown upon the almost anomalous condition of our National Treasury when we learn that, in 1807, Gallatin advised Congress that, for that year, and possibly longer, a surplus of \$3,000,000 could be "confidently relied upon." That which called forth this statement from the Treasurer was the threatening aspect of foreign affairs, in view of which it was desired by Congress to know our resources, possible or probable, in case of an emergency. When the time came for our Government to act on the defensive, its resources did not fail.

After all has been said in favor of the bank as an institution sound in fact as in principle, and after its blessings—manifold, direct and indirect, have all been recounted, there is no argument among all that have been employed, more potent, safe or convincing than that which portrays the actual condition of affairs after the *expiration* of its charter and the refusal of Congress to grant a renewal. Depreciation of the currency, high and fluctuating prices, credit, public and private, sacrificed, business depressed, wages unremunerative, foreign commerce lifeless, inland exchange costly and uncertain; in short, general demoralization—such is the distressing record of the period from 1811 to 1816. And it *immediately followed* the failure to grant a renewal of the charter of the bank.

As soon as it became known that the Bank of the United States was to be no more, forthwith, far and wide throughout the country applications were made to the legislatures of the various States for bank charters and for the privilege of issuing notes. What was the result?

Banks sprang up everywhere suddenly, like Jonah's gourd. In Pennsylvania the Legislature in a single bill chartered forty-one new institutions, and other States did not lag far behind. The

consequence was that there was put out from forty to fifty millions of paper money by these institutions, of various degrees of respectability and credit. From Maine to Georgia there were as many descriptions of bank notes as there were issuing banks, and about the same variety of credits. Nobody was able to tell the genuineness of half the bills that passed through their hands without considerable delay and inconvenience, and, as often as otherwise, were first apprized of the fact that they held counterfeit or worthless money when they found themselves no longer able to use it, and so loss ensued. Thus matters continued from bad to worse until the year 1814, when, in August and September, all banks outside of New England suspended payments in specie. The crisis had now arrived. Of course, it was not unexpected by a few, the "wise remnant," as some would say, who were keen-eyed, farsighted enough to perceive that credit based on nothing would ultimately come to grief.

During the existence of the bank the Government had, very wisely, used it as a repository for its funds. After its expiration, ninety-four institutions were employed for this one purpose, with each of which it was found necessary to keep four open accounts, in consequence of the varied and fluctuating nature of the circulating medium. Thus, in place of one simple record, which was all that was maintained as between the Treasury and the original bank, 376 accounts were in active use at all times.

The war with England was just at an end. This enterprise had necessarily involved the nation in debt, besides disturbing its internal affairs generally. And worse than all, the condition of the country was not such as to cope promptly and successfully with the distressing situation. Its vitality was impaired, its recuperative powers vitiated.

Such were the conditions attending the meeting of Congress in the fall of 1814, and out of such conditions were to spring the weighty problems which would demand a hearing, and that at once.

The Congress that assembled in 1814 was, in point of ability, a notable one. In the list of those associated in the Thirteenth Congress we read such names as Clay, Calhoun, Lowndes, Pickering, Gaston, Forsyth, Grundy, Benson; and while younger in years and experience than they all, it may be, yet as great in maturing power—Daniel Webster.

It has been our purpose, thus far, to state as succinctly and accurately as possible the state of affairs financially considered at the time when Webster first came forward to take a hand in the councils of the nation. To do this satisfactorily and intelligently, in view of subsequent events and their necessary dependence upon early legislation, or lack of legislation, it was deemed necessary to

trace in order, and somewhat minutely, the leading facts of a period somewhat remote in its beginning, from the time and the events which we desire for the present more especially to consider.

As has been said, the charter of the first incorporated bank of the United States expired in 1811. The opposition to its renewal came, for the most part, from what is commonly known as the "Virginia School" of politicians, on the ground of the unconstitutionality of a National bank. This attitude of opposition was not new. Washington and his cabinet debated the question before the charter of the first bank, under the fresh light of a new constitution, and surrounded by its best interpreters, and decided by a majority vote that a National bank was not constitutionally prohibited.

From 1811 to 1816, that there was no National institution known as the bank, was in consequence of this ill-advised opposition.

Early in the session of the Thirteenth Congress, a project for a Bank of the United States was introduced into the House of Representatives, on the recommendation of Mr. Dallas, Secretary of the Treasury. The need of such an institution had been sorely felt for a long time. Notwithstanding every measure had been heretofore strongly opposed from high sources, yet, at this time, it seemed that some similar measure would be as strongly favored by both the Treasury Department and Congress. The bill, as introduced, favored an institution with a capital to consist of forty-five millions of the public stocks and five millions of specie, and it was to be under obligation to lend the Government thirty millions of dollars on demand. These conditions complied with, that its burdens might not be too onerous, it was relieved from the necessity of redeeming its notes in specie. The outcome of these conditions could be clearly foreseen. That it certainly pointed ultimately to an irredeemable paper currency there can be no doubt. On this ground, mainly, the measure was opposed most strenuously by some of the ablest men in Congress, among whom was Webster.

On the second of January, 1815, this bill being under consideration in the House, Mr. Webster moved that it be re-committed to a select committee with instructions to make certain alterations.

The alterations proposed were briefly these:

1. To reduce the capital to twenty-five millions, with liberty to the Government to subscribe on its own account five millions.
2. To strike out so much of said bill as makes it obligatory on the bank to lend money to Government.
3. To insert a section allowing interest at the rate of——per cent. on any bill or note of the bank of which payment shall have been duly demanded, according to its tenor, and refused, and to inflict penalties on any directors who shall issue any bills or notes during any suspension of specie payment at the bank.

4. To provide that the said twenty-five millions of capital stock shall be composed of five millions of specie, and twenty millions of any of the stocks of the United States bearing an interest of six per cent., or of Treasury notes.

5. To strike out of the bill that part of it which restrains the bank from selling its stock during the war.

The foregoing are not all of the alterations proposed by Mr. Webster, but they contain the main features of the plan he was about to urge upon Congress.

Mr. Webster was still young, yet he manifested a maturity of conviction and sound wisdom in his able presentation of financial truths at this juncture, of which a long experience in after years never failed to approve. It will be our endeavor so to present some of these principles as principles, that the general reader may be able to understand, from the history of the past, which is ever repeating itself, what lies at the foundation of financial honor in a nation.

The first principle which Webster enunciated with great vigor and clearness, was with reference to the proper relations which should be encouraged as between bank and Government. He maintained that the bank ought to be the agent of the Government, and bound in its relations by no stronger tie. It should be expected to act for the best interest of the Government in the same manner that it served the general public. Faithful performance of contracts, with due regard for the nature of those contracts, should be the maxim as much in the one case as in the other. The bill for a new bank, as at first introduced, was, in sentiment, at least, subversive of this very principle. The institution would have become, from its inception, a tool in the hands of the Government. Let us see if this is not the case.

The capital was to be fifty millions of dollars. How represented? *Five millions in gold and silver, twenty millions in the public debt, ten millions in Treasury notes, and fifteen millions to be subscribed by Government in stock issued for the purpose.* The ten millions in Treasury notes, when received in payment of subscriptions to the bank, were also to be funded in United States stocks; and these, with the stock subscribed by Government on its own account, were redeemable at the *pleasure of the Government*. In other words, the capital of the bank was to consist of five millions of specie, with debts due from Government amounting to forty-five millions. Furthermore, the bank was to be under obligation to loan to Government thirty millions of dollars, payable virtually, at the pleasure of the Government, thus making the indebtedness of the Government to the bank seventy-five millions. And, to make matters worse still, this indebtedness was practically beyond the control of the bank. Now, to say that an institution of the character described

would have any existence apart from the Government which created it, or that it could possess any powers not absolutely controlled, in short, to designate it by any other name than a department of Government, and, as such, capable of a most ruinous perversion, would be to ignore the most apparent evidence.

It was this evident and apparently intended subservient condition of the bank which Webster combatted so vehemently. That it was the right and duty of the Government to avail itself of the benefits to be derived from such an institution, rightly administered, Mr. Webster maintained from the first; but in the plan of the one proposed he saw the elements of misuse and abuse. He contended for a principle. That principle, clearly expressed, was that the Government had no right to become a partner, or co-operate, in an enterprise whose functions were entirely foreign to its administration, except in so far as to secure for itself that aid which, in common with the community, it had a right to enjoy. The soundness of this principle, not every one will admit to-day. Some even believe that Government should control everything, even the distribution of wealth. But the great majority of sound reasoners will approve this principle. History, certainly, has approved it. When Jackson, a few years later than the time of which we are speaking, removed the deposits from the second bank, and thus furnished an instance of executive interference, the hue and cry that went up gave no uncertain indication of what the community thought of the Government coming into too close relations with an institution intended for the public benefit. This case is not, to be sure, a parallel in every particular, but the underlying principle is the same. The Bank of England furnishes an instance of an institution acting as the fiscal agent of the Government, rendering important service at all times, and especially during periods of disturbance and depression, and yet, as an institution of banking, entirely free in its administration, and independent of any improper interference of Government. It was a far-seeing wisdom that dictated the laws to govern that institution and fix its relations with the authority which created it. The French people have a bank of which they are proud; and yet they never had an institution owned or monopolized by the Government, unless it was during the John Law *régime*. Our present system of National banks is founded upon the correct principle, and precisely the same for which Webster contended. The Government supervises, employs it, but goes no further. Hence, we may conclude that, so long as the system is permitted to remain intact, we may hope for nothing but good from it. There are those that threaten its life. May some power overrule their efforts for good!

But the point, of all others, which most aroused Mr. Webster's ire in the proposed plan, was the provision making it incumbent upon the bank, its capital being already monopolized, to loan to

Government thirty millions of dollars. In view of the distressing condition of the finances, there can be little doubt that the Government would have immediately availed itself of this provision, and called for the loan. From whence was the money to be derived? There could have been but one possible resort, and that the printing press. Without doubt the outcome of the matter would have been an issue of paper money, and this would have been soon followed by further issues, until the amount would become unlimited. Matters would be made continually worse, rather than better, and the return of specie payments, for which the country had been sighing, would be postponed still more indefinitely.

If provision had been made for a suitable reserve in coin for all notes issued, of course the case would have stood differently. As it was, five millions was all the bank had to draw upon under the most favorable circumstances, and very likely this amount would never have been realized. Mr. Webster presented with great force the arguments which in our day have become so familiar as to be almost trite, and yet the force and pertinence of which we are so prone to overlook in an emergency—against an irredeemable paper currency. He must be given the credit for using those arguments while they were still young, as applied to this country, and before their real force was appreciated, although founded in simple reason.

The arguments, if such they may be called, which were used in support of the bill as presented, were of the weakest type. "These," said Webster, "are all the inventions of a short-sighted policy, vexed and goaded by the necessities of the moment, and thinking less of a permanent remedy than of shifts and expedients to avoid the present distress."

Webster's idea of what constitutes a safe and permanent circulating medium is admirable, and uttered at a time of so much distress and general depression, it must have been as exhilarating as a full breath of pure, cold air on a sultry day to those who had been toiling with the difficult problem for so many weeks. The statement of his argument is so brief, pointed, and comprehensive that it will not be out of place to quote it in this connection: "Whenever bank notes are not convertible into gold and silver at the will of the holder, they become of less value than gold and silver. All experiments on the subject have come to the same result. It is so clear, and has been so universally admitted, that it would be waste of time to dwell upon it. The depreciation may not be sensibly perceived the first day, or the first week it takes place. It will first be discerned in what is called the rise of specie; it will next be seen in the increased price of all commodities. *The circulating medium of a commercial community must be that which is also the circulating medium of other commercial communities, or must be capable of being converted into that medium without loss.*"

"It must be able not only to pass in payments and receipts among individuals of the same society and nation, but to adjust and discharge the balance of exchanges between different nations. *It must be something which has a value abroad, as well as at home, and by which foreign as well as domestic debts can be satisfied.* The precious metals alone answer these purposes. They alone, therefore, are money, and whatever else is to perform the offices of money must be their representative, and capable of being turned into them at will. So long as bank paper retains this quality, it is a substitute for money; divested of this, nothing can give it that character. No solidity of funds, no sufficiency of assets, no confidence in the solvency of banking institutions, has ever enabled them to keep up their paper to the value of gold and silver any longer than they paid gold and silver for it on demand. This will continue to be the case so long as those metals shall continue to be the standard of value and the general circulation medium among nations."

Seventy years since these truths were uttered have not destroyed their solidity or force one jot. On the contrary, recent experiences have only served to illustrate and intensify them. And it is not necessary to read between the lines of the foregoing to discover a truth very pertinent to-day, and which should be pondered deeply by those who maintain that one nation can employ as a circulating medium a metal which is recognized throughout the world as inferior in value to the generally accepted standard, and still maintain its credit and satisfactory commercial relations with the other nations of the globe. It is high time that the fact were recognized that a nation cannot exist all by itself, but is, of necessity, more or less dependent upon its neighbors, with whom it is expedient from any point of view, to maintain the most helpful and friendly relations. And no one has done more to encourage and assist the maintenance of such relations on the part of this nation than Daniel Webster.

But, to return to the subject in hand, it may be said that the substance of Webster's argument against the proposed bank cannot be more concisely stated than in his own words near the close of his address: "Excessive issues of paper, and a close connection with Government, are the circumstances which, of all others, are the most certain to destroy the credit of bank paper. If there were no excessive issues, or, in other words, if the bank paid its notes in specie on demand, its connection with Government and its interest in the funds would not, perhaps, materially affect the circulation of its paper, although they would naturally diminish the value of its stock. But when the two circumstances exist in the condition of any bank, that it does not pay its notes, and that its funds are in public stocks, and all its operations ultimately blended with the operations of Government, nothing further need be known to be quite



sure that its paper will not answer the purpose of a creditable circulating medium."

Notwithstanding Mr. Webster's earnest advocacy of the bill in an amended form, owing to party division and other minor reasons, neither the amended nor the original bill prevailed. Later in the session the bill was called up again for reconsideration by Mr. Webster, and such amendment proposed that it passed the House by a large majority. In the Senate, after a warm debate, it also passed, but with difficulty. But it failed to meet the approval of President Madison, who accordingly vetoed it, so that it did not become an established fact. However, at the first session of the Fourteenth Congress, Mr. Webster was active in support of another measure of a similar character, which finally passed Congress in April 1816. While it was before the House he moved and carried several amendments similar to those proposed by him at the previous session. His efforts to prevent Government participation in the management, however, were fruitless, and, in common with others who usually supported the administration, he voted against it on its passage. Among other amendments of which Webster procured the adoption, was one which required deposits, as well as notes of the bank, to be paid on demand in specie. WILLIAM WOODWARD.

[TO BE CONTINUED.]

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## HISTORY OF THE NATIONAL BANKING SYSTEM.

Early in his administration of the Treasury, Mr. Chase pondered over the expediency of replacing the State bank circulation with one furnished by National banks as a means primarily for sustaining the Government. The banks in the loyal States were circulating at the beginning of the war about \$150,000,000 of their notes, and Mr. Chase, in his first annual report, inquired whether, as the whole of this circulation constituted a loan without interest from the people to the banks, costing nothing except the expense of issue and interest on the specie kept for redemption, "sound policy did not require that the advantages of this loan be transferred, in part, at least, from the banks, representing only the interests of the stockholders to the Government representing the aggregate interests of the whole people."

Mr. Chase fortified his position with the remark that the most eminent statesmen had questioned whether a currency of bank notes issued by local institutions under State laws was not, in truth, prohibited by the National Constitution. Such emissions, he maintained, certainly fell within the spirit, if not within the letter, of the Constitution, prohibiting the emission of "bills of credit" by

the States, and of their making anything except gold and silver coin a legal tender in payment of debts. But the Supreme Court of the United States, twenty-five years before, had decided that a private corporation, authorized by a State, had the right to issue circulating notes, although the State itself could not, and make them receivable for dues to it. "However this may be," added the Secretary, "it is too clear to be reasonably disputed that Congress, under its Constitutional powers to lay taxes, to regulate commerce, and to regulate the value of coin, possesses ample authority to control the credit circulation which enters so largely into the transactions of commerce, and affects in so many ways the value of coin. In the judgment of the Secretary, the time has arrived when Congress should exercise this authority."

Two plans were proposed by the Secretary. The first plan was the gradual withdrawal from circulation of the notes of private corporations, and the substitution of "United States notes, payable in coin on demand, in amounts sufficient for the useful ends of a representative currency." The second plan was to prepare and deliver to institutions and associations notes for circulation under National direction, secured by the pledge of United States bonds and other needful regulations, and convertible into coin.

The first plan had been partly adopted at the last session of Congress, when the Secretary was authorized to issue \$50,000,000 of United States notes, payable in coin. That authority, the Secretary remarked, might be so extended as to reach the average circulation of the country, while a moderate tax, gradually augmented, on bank notes, would relieve the National, from competition with the State circulation. The substitution of a National, for a State currency would be equivalent to a loan to the Government without interest, except on the redemption fund, and without expense, except the cost of preparation, issue and redemption, while the people would get a uniform currency and bear a smaller burden in the form of interest on the public debt.

The Secretary then strongly stated the objections to this plan. "The temptation, especially great in times of pressure and danger, to issue notes without adequate provision for redemption; the ever-present liability to be called on for redemption beyond means, however carefully provided and managed; the hazard of panics, precipitating demands for coin, concentrated on a few points and a single fund; the risk of a depreciated, and depreciating and finally worthless, paper money; the immeasurable evils of dishonored public faith and National bankruptcy—all these are possible consequences of the adoption of a system of Government circulation." These possible disasters so much outweighed the probable benefits of the plan, that he opposed the adoption of it.

The principal features of the second plan were, first, the making

of notes bearing a common impression, and authenticated by a common authority; second, their redemption by the associations and institutions to which they should be delivered for issue; and, third, the securing of them by a pledge of United States stocks and an adequate amount of specie.

"If this plan should be adopted," said the Secretary, "the people in their ordinary business, would find the advantages of uniformity in currency, of uniformity in security, of effectual safeguard—if effectual safeguard is possible—against depreciation, and of protection from losses in discounts and exchanges; while, in the operations of the Government the people would find the further advantages of a large demand for Government securities, of increased facilities for obtaining the loans required by the war, and of some alleviation of the burdens on industry through a diminution in the rate of interest, or a participation in the profit of circulation without risking the perils of a great money monopoly."

The Secretary possessed "the greatest confidence in this plan, because it had the advantage of recommendation from experience," referring particularly to the trial of the plan in the State of New York.

How long the Secretary may have been maturing his opinions on this subject we do not know, but in August, 1861, within a month after the first battle of Bull Run, and when the sanguine hope previously entertained of a speedy ending of the war had faded away, O. B. Potter, of New York, sent a letter to Mr. Chase, containing a plan of a National currency, and which was subsequently printed. The plan and reasons therefor were very similar to those set forth by Mr. Chase.

The New York plan, on which the National banking system was largely, though not wholly based, had been in operation in that State since 1838. The germ of such a system may be found in the letter of Curtius, addressed to the Secretary of the Treasury in 1816, on the subject of a National currency. He recommended the formation of a National bank whose capital should consist of "public responsibilities to an amount commensurate with the circulating medium essential to the transfer of property, that certain revenues should be hypothecated to discharge the interest, and that Congress should grant lands as a collateral security." "As the notes of this institution," continued the writer, "are intended to represent the circulating medium, the amount of capital should be predicated on an estimate of our present circulation, and by the adoption of public stock, with the hypothecation of real property, to stand as a collateral guarantee, there will be an apparent and sure evidence of responsibility and representative value." In 1827 the idea of Curtius was beaten into a better form by the Rev. Dr. McVickar and sent to a mem-

ber of the New York Legislature. After setting forth the evils attending banking at that time, and the nature of the business and of credit, he proposed a banking system, the first three provisions of which are the following: "1. Banking to be a free trade, in so far as that it may be freely entered into by individuals or associations under the provisions of a general statute. 2. The amount of the banking capital of such individual or association to be freely fixed, but to be invested one-tenth at the discretion of the bank, the remaining nine-tenths in Government stock, whereof the bank is to receive the dividends, but the principal is to remain in pledge for the redemption of its promissory notes, under such securities as to place the safety of the public beyond doubt or risk, the stock being made untransferrable, except by the order of such court as shall be made cognizant of these subjects with a view to wind up the affairs of the bank. 3. The promissory notes of such individual or association to bear upon their face the nature and amount of the stock thus pledged, together with the usual signatures, and in their amount never to exceed the amount of their pledged stock, under the penalty of the individual or firm being declared bankrupt."

The plan did not meet with a favorable reception at Albany, but four years afterward, in 1831, the first-fruit appeared in Maryland. A bill was introduced into the Legislature, providing for free banking. The license therefor was to be obtained from the Chancellor of the State. The applicant was to exhibit a list of his property, which was to be vested in trust in a form selected or approved by the Chancellor. The deed of trust was to be drawn "in such terms and with such provisions as he may deem most proper for the security of the object of said trust." The Chancellor having approved the deed, the applicant was to receive a certificate from the clerk of the county court of the deposit of the same for record. The next step was for the Chancellor to determine the value of the property described in the instrument, and, having done so, could authorize the applicant to issue notes not exceeding in amount more than one-fourth the value of such property. Subsequently, in 1834, several members of a local bank convention, held in Baltimore, favored the establishing of a bank, with three-fourths of the capital permanently invested in mortgages. A copy of the Maryland bill was transmitted to a member of the New York Senate in 1837, and the next year the banking system was adopted, and which, after a trial of twenty-five years, was to be more highly developed and serve a National purpose.

A bill was prepared by the Committee of Ways and Means, embodying the views of Mr. Chase, for the use of the Committee of Ways and Means. The work of preparation mainly fell on Mr. Spaulding, though Mr. Hooper and other members rendered valuable assistance. The banking laws of the States were thoroughly

examined by competent persons, and utilized. Massachusetts had recently enacted a free banking law, which contained improvements on the New York original, some of which were incorporated in the National bank bill. Other parts were taken from the banking laws of Ohio and Illinois, which were the fruit of much study and experiment. The provisions relating to the reserve fund were drawn largely from the banking law of Louisiana. The bill, therefore, was a mosaic, though containing more of the New York banking law than any other. At a meeting of representatives of banks and boards of trade, held in Washington early the next year to consult with Mr. Chase, several propositions were formulated, and among these "that Congress should enact the National currency bill, embracing the general provisions recommended by the Secretary in his annual report." The measure was generally discussed by members of Congress, newspapers, bankers and others, but other business pressed so heavily that even a notice in July to print extra copies was laid on the table. Shortly afterward, Mr. Stevens, the chairman of the committee reported the bill, but adversely. The Government having authorized the issue of \$300,000,000 of legal tenders, the consideration of the subject was deferred for the session.

At this time public opinion was divided, and opposition to the plan was not confined to the banks, nor to interests allied with them. In an able and elaborate report on the finances and resources of the country, adopted by a very respectable New York society in January, the following criticism was expressed: "Were this plan of banking adopted, the circulating currency of the country would be irregular in value at different points, for remote banks would not redeem at par at the center of exchanges. Not only so, but it would be constantly varying in amount, producing perpetual changes in values, for marketable value depends on the quantity of circulating medium. Each bank would sell its security and call in its circulation, whenever the high price of United States stocks or the wish of the owner might suggest the course. And again, from other causes, large amounts of bank notes would, at different times, be thrown out for circulation, and thus, inevitably, would perpetual change in the quantities of circulating medium perplex and embarrass commercial transactions."\*

\* "It is true that in the State of New York this system has worked well, but it is equally true that in Illinois it has been a failure; and it would have been a failure in that State on the first financial pressure, had no rebellion occurred. The larger part of the banking capital of the State of New York is in the City of New York, and the center of exchanges being in the city, capital concentrates there. The city banks have very few bills in circulation, and the result is, that the country banks, which depend for profits on their circulation, issue that circulation without fear, as the city banks are always ready to redeem, and, for a reasonable time, hold the bills of the banks of which they keep the accounts, charging interest on the debit balances, however small, and allowing no interest on credit balances, however large. Excepting in New England, there is no such commanding center where redemptions are made when needed. As a system for the entire Union, we can draw

In his next report Mr. Chase strenuously urged the establishing of the system. He said it seemed difficult to conceive of a note circulation which would combine higher local and general credit than this. After a few years no other circulation would be used, nor could the issues of the National circulation be easily increased beyond the legitimate demands of business. Every dollar of circulation would represent real capital actually invested in National stocks, and the total amount issued could always be easily and quickly ascertained from the books of the Treasury. These circumstances, if they might not wholly remove the temptation to excessive issues, would certainly reduce it to the lowest point, while the form of the notes, the uniformity of devices, the signatures of National officers, and the imprint of the National seal authenticating the declaration borne on each that it was secured by bonds which represented the faith and capital of the whole country, could not fail to make every note as good in any part of the world as the best-known and best-esteemed National securities. Another advantage mentioned by the Secretary was the reconciliation, as far as practicable, of "the interests of existing institutions with those of the whole people."

Mr. Chase's recommendation was received with general favor. Nor did the banks disagree with him. Said an excellent authority: "The sound and conservative banks, who look to the safety, the uniformity and the stability of the paper currency of the country as essential to the prosperity and permanency of commerce and finance, consider the proposed change as desirable for the true interests of the people. In this, however, the banks properly exclude the idea of profit to individuals, which now arises from the issue of paper money; but in view of the lamentable evils which have hitherto marked its excesses and abuses, they look at the subject in its broader and National aspects, and conclude that the interests of the whole country and the whole people are paramount to those of individuals and corporations." The favoring wind of public opinion had been blowing more and more strongly ever since Mr. Chase made his first recommendation.

A bill was introduced into the House by Mr. Hooper, a member of the Committee of Ways and Means, and reported adversely the next day; at the same time, however, they reported favorably on another bill which had received their consideration. Subsequently Mr. Moorhead introduced a third bill, but no action was taken on either; in the meantime Mr. Sherman introduced one into the Senate, which was reported from the Finance Committee with some amendments, thoroughly debated and passed, and sent to the House

no proper parallel from the success of the plan in New York." *Report of Geographical and Statistical Society.* Page 5.

on the 12th of February.\* The principal speech in favor of the bill was made by Mr. Sherman, and Mr. Collamer, of Vermont, was the strongest opponent. Mr. Sherman first stated the objections to issuing more United States notes. The danger of over-issuing them was pressing on the country, and their effect in inflating values "was felt by every one." The mere introduction of a bill in the House to authorize the issue of \$300,000,000 additional United States notes had operated like magic. On the day this was done gold commanded a premium of thirty-six and a-half per cent. The next day it rose to thirty-eight; within three days it rose to forty-one; on the 15th of January, six days afterward, it rose to forty-eight and a-half, and from that time to the present it had been continually declining. "It did not suffer a decline until there was a disposition evinced in the Senate, to check the over-issue of this kind of paper money." Such was the effect of even a proposed over-issue of United States notes. Moreover, there was no mode of redeeming them, and they could "only be used during the war." Doubtless, most persons shared this belief. "The very moment that peace comes," continued the Senator, "all this circulation that now fills the channels of commercial operations will be at once banished. They will be converted into bonds; and then the contraction of prices will be as rapid as the inflation has been. The issue of Government notes can only be a temporary measure, and is only intended as a temporary measure to provide for a National exigency."

Another objection to issuing more Government notes was the using of them as a basis for bank issues. Since they had been declared a legal tender, the bank circulation had increased from \$120,000,000 to \$167,000,000. The banks sold their gold at a premium, and put legal-tender notes in its place to redeem their own circulation. The Senator maintained it would be very easy to prove that "during war local banks are the natural enemies of a National currency. Whenever specie payments are suspended, the power to issue a bank note is the same as the power to coin money. If you give to an individual or a corporation the power to issue his note as money at a time when he is not restrained by the necessity of paying it in gold and silver, you give him practically the power to coin money." The banks in the United States were imitating the Bank of France after it suspended specie payments but whose conduct was severely censured by Napoleon amid the terrific excitement of his Austerlitz campaign. He wrote to the Minister of the Treasury that the bank was "coining false money."

No one could deny this statement. The legal-tender notes were

\* The Finance Committee reported favorably by a bare majority of one, Senator Rice, of Minnesota, at the request of Mr. Chase, giving his vote in favor, though voting against the bill on its passage in the Senate.

lawful money, and the banks could hold them instead of specie for the purpose of redeeming their circulation. The Treasury notes which had been issued from time to time for fifty years until 1862, were not a legal tender and could not thus be used to redeem bank notes. Congress, when authorizing the issue of legal-tender notes, prepared two ways for inflating the currency—one way was by the act of Government, and the other by that of the banks. Congress rendered bank-note-issuing far easier than ever before. Considering the facility afforded for bank-note expansion after the issue of legal-tender notes, the banks merit some favorable regard for not expanding more rapidly. Nevertheless, the fear that they would issue more notes, and thus accelerate the diminishing value of the entire circulating medium, moved many to favor a policy of confining the issue of paper money to the Government or to banks amenable to National regulation.

In a speech delivered at the previous session, Mr. Sherman had described the "radical objections to the present banking system." At that time 1,396 banks existed in twenty-nine States and one territory. "Their systems of banking," he said, "are as diverse as anything can possibly be. We have a complex system of bank notes. The ordinary bank-note reporters and detectors contain an infinite variety of descriptions to tell the value of a bank note, and whether it is counterfeit. The loss by counterfeiting, and the loss by bad notes of various kinds in this country, is estimated by gentlemen who are engaged in the business as nearly equal to the interest on the whole circulation. The people, therefore, are not only compelled to use this money, and substantially give to the banks a profit of the interest on the whole circulation, but in addition to that they lose fully \$9,000,000 in the form of defaced notes, counterfeit notes, &c.

"Every year more or less of these banks break. There is no stability about them. They have no common bond of organization; any important event that disturbs the money market of the world makes a greater flutter among them than a shot among a bevy of partridges. The uncertain rate of exchange between the different States grows out of the multitude and diversity of the banks. The bank paper of States adjoining each other has varied in value as much as one year's interest of money."

Much was expected of the National banking system. Beside convertibility of the notes, and uniformity in size, Mr. Sherman maintained that if the system were established, a market would be created for the bonds of the Government; the National bank notes would furnish a medium for absorbing those of the State banks; the banks would be safe and convenient depositories of the public money; they would also form a community of interest between the stock-



holders, the people, and the Government; and, finally, the system would promote a sentiment of nationality.

Mr. Collamer opposed the bill in an elaborate speech. He first showed what suffering would be caused in settling the business of the State banks. "It will be found that the people will not break up their present system of banking, interwoven as it is with all their transactions, bound up as their business life is with it, to establish banks under this bill, and they will never buy United States stocks for this purpose." He questioned the right of the Government to impose a tax so great on the State banks as to drive them out of business, a provision contained in another bill under discussion by the House. He questioned the right of the Government to establish corporations in States and territories entirely independent of their power of visitation. He also objected that by putting capital into these banks it would be removed from State taxation. He questioned the propriety of "undertaking as a nation to say that we would be responsible for the ultimate redemption of these bills by the securities that are deposited." He then showed the danger arising from the system as a political agency. The bill provided for the appointment of a comptroller and other officers and agents. The Secretary of the Treasury was to be endowed with authority to make some of the banks depositories of the public revenue, and to distribute the \$300,000,000 of stock which could be put into these institutions. "If a Secretary of the Treasury can be furnished with these powers and chooses to use them," said the senator, "he must be a very bungling politician if he cannot make himself president any day." Other objections were raised by him, but the most fully discussed feature of the law was the proposed tax of two per cent. on their capital.

Senator Harris, of New York, when offering an amendment granting authority to the State banks to receive circulation under their charters, said: "The banks in the State of New York can, I believe, be induced, without surrendering their charters as State banking associations, to take out circulation under the provisions of this bill, but I do not suppose that a single banking institution in the State of New York would ever be induced to surrender the privileges it derives under the State laws, and become an association organized under the provisions of this act."

James Gallatin, of New York, wrote to Senator Fessenden during the debate: "In our own State, as well as in the West, the system of banking on public stocks has proved delusive in seasons of great depression in the prices of such stocks, being less reliable than banking upon real business mercantile paper (not accommodation) at short dates; and the banks dealing in the latter in this city having been compelled to protect the circulation of the public stock banks in order to save the latter from bankruptcy."

The debate in the Senate continued until the twelfth of February, when the bill passed by the very close vote of twenty-three to twenty-one.

The debate in the House was brief, for the subject had been debated when the \$900,000,000 loan bill was before that body. The session was rapidly nearing the end, and many important matters required consideration. The discussion opened with a speech by Mr. Spaulding of New York, followed on the same side by Mr. Fenton, also of that State. He remarked that in November of the previous year the circulation of the banks in the loyal States was \$167,000,000. To redeem this the banks held about \$40,000,000 of State securities, leaving \$120,000,000 inadequately secured. In only nine of the thirty-four States had the principle of securing payment of the bank circulation been adopted.

As the proposed system was not compulsory on existing banks, it would not be regarded with the jealousy of a purely rival scheme, and an intelligent consideration of their own interests, and those of the Government and the people, would lead the banks to modify any contemplated opposition; and even if their individual profits and the present modes of business were somewhat injuriously affected, the same liberal and devoted patriotism in support of the public credit heretofore exhibited would insure their acquiescence in all public measures deemed necessary to preserve that credit.

One of the gravest fears of the New York banks concerning the measure was depreciation on the State bonds held by them to secure their circulation if they should be required to replace them with bonds issued by the Government. If they were driven out of the State system by the taxation of their circulation, or in other ways, it would be necessary to organize under the National system or retire from business. In either event their bonds would be sold, and they feared the consequences. Mr. Fenton said, in reply to this objection, there was reason for believing that in any event the stocks issued by his State would be required "for investment on private and foreign account and suffer no depreciation." But supposing they might, this was of small moment compared with their greater interest in upholding the credit of the Government. At that time the New York banks held \$12,000,000 of United States bonds as part security for their circulation, and \$136,000,000 more of these bonds taken for loans and advances to the Government.

The principal speech against the bill was delivered by Mr. Baker, also of New York. Many objections were stated, one of which was that the bill did not provide a central place for the redemption of the notes. Each bank was to redeem its circulation at the place of issue. The New York banking system provided for the redemption of all bank notes in the chief city of the State. When the previous safety fund system existed there, bank notes were from one-eighth

to two per cent. discount, varying by their distance from the place of redemption. "Such would be the case," said Mr. Baker, "with the notes which we propose to issue under this system in each individual State, but the discount upon them would be far greater in other States and at distant points from their place of issue. To remedy this evil, and make this currency of uniform value throughout the United States, it is absolutely necessary that these associations should be compelled to redeem their notes at their counters, at the commercial center of each State in which they are located, and also at New York."

Another objection stated by him was the requiring of the banks to keep on hand twenty-five per cent. of their circulation and deposits in lawful money. If the banks should keep legal-tender notes for this purpose, and the legal-tender act suddenly be declared unconstitutional, the exposed condition of the banks would be apparent.

In a speech prepared by Amasa Walker of Massachusetts, but never delivered, he stated that he favored the proposed system—first, because the notes would be uniformly current everywhere, and would therefore equalize exchanges between different sections of the country; secondly, because the system would secure to the people by the tax imposed on the banks a share of the large profits on their notes. Again, it would greatly reduce the danger of counterfeit and spurious emissions. At that time there were seven thousand kinds of bank notes in circulation. They would be brought directly and uniformly under the control of National legislation, and by thus identifying the interests of the moneyed institutions with the credit of the National Government, strength and stability would be given to both. Finally, millions of capital would be diverted from the East to the West, where it would be more actively and profitably employed for business purposes.

The bill passed by a vote of seventy-eight to sixty-four on the twentieth of February. Many were in favor of establishing the National banking system because they believed it would be a great improvement on the State systems. The people, if gaining much, had also suffered much from them. Inside and outside Congress opposition to these institutions was strong and increasing. Notwithstanding the assistance they had rendered to the Government, not a few persons ascribed base motives to them, and charged them with making large profits from their operations with the Government. Although the fact was otherwise, hostility to them was widespread. Mr. Chase sought to intensify it, and particularly in his annual report for 1863, wherein he boldly stated that "much of the greater part of the rise of prices not accounted for by the sudden war demand for things, as well as much the greater part of the difference between notes and gold, was attributable to the large amount of bank notes

yet in circulation. Were these notes withdrawn from use it is believed," he maintained, "that much of the now very considerable difference between coin and United States notes would disappear." This statement is completely saturated with error. The "difference between notes and gold was attributable," not so much to "the large amount of bank notes" as to the larger amount of Government circulation, for the reason that the former was taken just as readily as the other and was not in the least depreciated—measured by the Government paper standard. If Mr. Chase supposed that the State bank circulation affected prices differently from the Government notes when both circulated at the same value, the distinction was purely imaginary, and his evident endeavor to make the public believe that the banks were responsible for the rise in prices, except as above explained, was to swell the current of popular sentiment more strongly against these institutions. Why did he not put his statement the other way—that if legal-tender notes had not been issued, "no difference between gold and notes" would have occurred. This statement would have contained far more truth than the other, but would have not served his purpose.

The most important provisions of the law were, that five or more persons could form a banking association, and on depositing \$50,000, or a larger amount, of any kind of Government interest-bearing bonds with the United States Treasurer, could receive circulating notes to the amount of ninety per cent. of the current value of the bonds deposited, not exceeding, however, their par value. These notes were to be receivable for all Government dues except duties on imports, and payable on Government debts except for interest on its bonds. In lieu of all taxes on circulation or bonds, the banks were to pay semi-annually one-half of one per cent. on their circulation, and they were to conform to the laws of the States in fixing their rates of interest; they were to keep on hand in lawful money at least twenty-five per cent. of their notes and deposits, and were to redeem at their circulation at the place of issue. The amount to be issued was fixed at \$300,000,000, one-half of which was to be issued to banks in States and territories, determined by their population, the other half to be distributed with regard to existing bank capital, business and resources of each State. A bureau of currency was to be established in the Treasury Department, and administered by a comptroller and proper subordinate officers. He was to be nominated by the Secretary of the Treasury, appointed by the President and Senate, and hold his office for five years.

Although the system was rapidly growing in public favor, heavy streams of criticism were poured on the law from various points. Some persons criticised the law in detail, others as a whole. Many persons of position and experience maintained that if more paper money was wanted the Government ought to furnish it instead

of banking institutions. This opinion was held by the Committee of the New York Clearing-house, who were appointed to examine the law. "If," said the committee, "more currency is required for the legitimate business of the country, why should not the Government avail itself of the opportunity to issue a further amount of legal-tender notes? *They* do furnish a currency of uniform value—less the expense of transportation—in every part of the Union. Whereas, the National bank currency is not lawful money, and, being payable in different parts of every State, must be subject to the laws of exchange, which are as infallible as the laws of gravitation, and necessitate a discount on bank bills payable at a distance from business centers, even when redeemable in specie. Paper currency, merely, is poor enough, at the best, why, then, should the Government be *willing* to give the people an *inferior* paper currency when it commands a superior one?

"Your committee do not state that, in their judgment, the present issue of legal-tender notes is in excess of the wants of Government and requirements of business. They are aware that the average amount of legal-tender notes held by New York City banks, for several months past, has not exceeded twenty millions of dollars, although those notes now constitute the reserve—or medium of settlement—in place of specie. Had this currency been superabundant it would have shown itself, as it certainly has not, in large accumulations at the principal cities—New York, Boston and Philadelphia.

"Various causes combined have created an increased demand for currency, and the following may be regarded as among the principal ones, namely: 1, The withdrawal of specie from commercial and mercantile transactions; 2, the advance in prices of all commodities; 3, the shortening of credits in every branch of business; 4, the large payments to the army and navy, and other war disbursements. This leaves out of the account the whole western country, which, by the annihilation, two and a-half years ago, of its banking institutions (founded on State stocks), was completely emptied of paper currency, and had to be filled up anew, not only to the measure of its former fullness, but far beyond it; for the United States has been buying largely of almost all the products of the West, and not only the United States Government, but Europe, also, has been a purchaser, and all has been paid for in 'legal tenders.' Indeed the demand from the West for these notes is constantly increasing, being larger this autumn than ever before. *This currency* the people are satisfied with." Another bank officer, early in the year, had said that "in view of the debasement of the circulating medium, and of the entire absence of all ordinary power to restrain the expansion, it was for the Government, with a bold hand, to seize the control of the whole currency of the country as a war measure."

This argument was more strenuously urged against the adoption of the law than any other. Why not require the State banks to withdraw their circulation and put Government notes in their place? was the inquiry raised in many quarters.

The banks organized more rapidly at first in the West than in the East. One reason was because the charters of the State banks of Ohio and Indiana and of other banks were soon to expire. When the Comptroller of the Currency made his first report at the close of November, 1863, 134 banks had been organized, fourteen of which were in New England, sixteen in New York, twenty in Pennsylvania, twenty in Indiana, thirty-eight in Ohio, seven in Illinois, six in Iowa, and four each in Michigan and Wisconsin. The opinion was rapidly spreading that even in the Eastern States the National system would soon supersede the State systems of banking. The issue of National bank notes was delayed, and none appeared until the 21st of December.

At the next session, Congress thoroughly amended the law. It could not reasonably be expected that an Act so elaborate would be faultless. A large portion of the Comptroller's report was devoted to an exposition of its imperfections. The two most important recommendations urged were the enactment of a law, making a uniform rate of interest of seven per cent. in all the States, and the redemption of the notes of interior banks in the commercial cities. Congress enacted that National banks in nineteen of the principal places in the Union must keep twenty-five per cent. in lawful money on hand to redeem their circulation and deposits, others six per cent. beside nine per cent., with the banks in the above-named places who were to redeem their circulation. Moreover, each bank in the nineteen places specified must select a bank in New York City to act as a redeeming agent. Such was the first step taken by Congress in the way of centralizing the work of redeeming the National bank issues. The principal new features of the law were authority to form banks with a larger capital, for State banks to become a National association "by the name prescribed in its organization certificate," for existing National banks to change their name within six months from the time of enacting the law, and the voluntary closing of the banks thus formed.

Many of the States now passed laws to aid the State banks to reorganize under the National system. Reorganization went rapidly onward, as well as the formation of new banks. The next year the Comptroller reported that 282 new banks had been organized since the date of his last report, and sixty-seven State banks had reorganized. There were then in existence 584 National banking associations, having a capital stock of \$108,964,599 and \$65,864,650 circulation, and holding \$81,961,450 bonds. Reorganization was accomplished without disturbing the business of the country, either

of curtailing discounts or "even a temporary derangement of their affairs." Nor was the stock of the State banks depreciated by reorganizing; on the contrary, the shares of most of them rose in value. Moreover, the fear that the National banking system would be the means of filling the country with banks possessing fictitious capitals was never realized.

Mr. McCulloch, therefore, in his second report, remarked that his experience had resulted in the entering up of a popular judgment in favor of the National banking system; a judgment—not that the system was perfect, nor free from danger of abuse, but safer, better adapted to the nature of our political institutions and to our commercial necessities, giving more strength to the Government, with less risk of use by the Government against the just rights of the States or the people than any system that had yet been devised.

At the close of the next session of Congress, March 3, 1865, it was enacted that, in forming National banks, a preference should be given to those State banks not having over \$75,000, which applied before the first of the following July. By way of giving the State banks another strong boost out of existence, Congress about the same time imposed a tax of ten per cent. per annum on all their notes issued after July 1, 1866. No wonder that Mr. Clarke, who succeeded Mr. McCulloch, could say, in his first report, the result had been that nearly all the State banks had voluntarily changed into National associations. Lured with the prospect of larger gains by changing their corporate character, with the certainty of losing their circulation if they did not change, they, too, went over to the majority. Happily the transformation was made, without deranging their business, "or affecting essentially the volume of bank note circulation."

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### THE POWER OF SUBSISTENCE.

The absurdity of the attempt, as yet, to measure the power of subsistence, and to declare it to be limited, can be demonstrated in two or three simple ways suitable to the use of a statistician like myself. First, no man yet knows the productive capacity of a single acre of land anywhere in respect to food. Second, the whole existing population of the globe, estimated at 1,400,000,000 persons, could find comfortable standing room within the limits of a field ten miles square. In a field twenty miles square they could all be seated, and by the use of telephones in sufficient number they could all be addressed by a single speaker. Third, the average crop of wheat in the United States and Canada would give one person in every twenty of the population of the globe a barrel of flour in each year, with enough to spare for seed; the land capable of producing wheat is not occupied to anything like one-twentieth of its extent. We can raise grain enough on a small part of the territory of the United States to feed the world.—*Edward Atkinson.*

## RECEIVERS' CERTIFICATES.

As a lien, according to the interpretation of the courts, receivers' certificates take precedence of even a first mortgage, and the interest they carry, which is usually the full legal rate, is very certain to be paid in preference to any other liability, fixed or floating. Then again, notwithstanding their accepted priority and the special protection given them by the courts, they are often negotiated 10 and 15 per cent. below their face value. The amount that may be issued is also discretionary with the receiver or the court of which the receiver is a nominal agent, and enough may be offered to make the buying worth the attention of large investors. Although a large sum, comparatively, of these credits may be authorized and sold, it would be a small affair of a road indeed that would not sustain these liens, let the result be as it may to mortgage debts. There is vagueness also as to the objects for which receivers' certificates may be issued. Some courts confine their issue to the absolute requirement for operating the road, others take a less restrictive view, and permit certificates to be created for every purpose which the company might legally authorize if in a solvent condition, with the property in its control. In more than one instance have these credits been authorized by the courts, and used for purposes that add directly to the capital account. New construction and extensive improvements are entered upon which absorb all net earnings, and call for large issues of certificate credits increase the floating debt, and as a consequence perpetuate the receivership for years beyond the period for which they should continue. A very notorious instance of this sort was the case of the Ohio & Mississippi road, which was placed in the hands of a receiver for inadequate reasons, and while in charge of the court large purchases of property were made, the gauge of the road changed, new bridges built, and the tracks relaid with steel. It may be said that the purchases and improvements inured to the benefit of the bond and stock holders, but it would, perhaps, be more satisfactory to the company to have directed the outlay and improvements, and to have avoided the extravagant management for which receiverships are notorious. A similar attempt to issue debt certificates not contemplated as a proper function of a receivership, it is said, will be made in the case of the Nickel Plate. This company has a floating debt of about \$3,000,000, for which it is intimated an issue of receiver's certificates is proposed. The effect of the exchange would be to make a doubtful security a lien that would take precedence of the mortgage bonds. Should the issue be permitted, the result would be that the floating debt would be safely housed, its interest paid with regularity, while the bondholders would be forced to take whatever might be left in satisfaction of their claims. It is presumed that the floating debt is very largely held by Mr. Vanderbilt and his friends, while the ownership of the mortgage bonds is more diffused.—*The Stockholder.*



## ENGLISH BANKING PRACTICE.

[CONTINUED FROM THE MAY NUMBER.]

*Payment Stopped.*—The drawer of a check is the proper person to stop payment of it, and should any other person apply to do so, he should be required to obtain the requisite order from the drawer, though, of course, meanwhile care will be exercised not to pay the check, should it be presented, until it is ascertained that the presenter is entitled thereto. After orders are received from the drawer not to pay a check, the loss will fall upon the banker if he should pay it. He should therefore be careful to advise every office, where that particular customer's checks are payable, of the stop, as soon as he receives notice of it.

A strong argument against paying checks out of hours is that, if by doing so the drawer is deprived of the opportunity of stopping payment of a check, and thereby he incurs loss, the banker may be held liable to recoup him. Although no responsibility to the holder of a stopped check devolves upon the banker on whom it is drawn, yet if it is out of the hands of the payee when the payment is stopped, and is not tainted with forgery, any holder for value can sue the drawer upon it, unless it is a "not negotiable" check.

It is not requisite for the drawer to stop payment of a check because the payee is bankrupt, in fact it might be dangerous so to do, as a *bona fide* holder would be entitled to demand payment of it.

*Drawer dead.*—After a banker hears of the death of a customer, he must not pay his checks, but return them marked "drawer deceased." Any checks paid after his death, but before notice of it is received, are in order, and can be debited as usual. This regulation only refers to personal accounts, or where the deceased is sole partner in the firm. The death of a partner does not stop payment of checks signed by him in the firm's name, nor does the death of a treasurer stop checks drawn by him officially.

*Donatio mortis causa.*—Though a check delivered but not cashed before the death of the drawer cannot be cashed by the banker after his death, yet if the recipient has indorsed it over to a third party for valuable consideration before, or without notice of, the death, it is a completed gift, and the executors will have to pay it.

*Act of Bankruptcy.*—As soon as a banker knows that his customer has committed an act of bankruptcy, he must cease to pay his checks, but it must be an actual act of bankruptcy. Thus, if the customer says that unless he receives help he must stop payment, that is not enough in law to make "an act of bankruptcy," though after such a remark the banker would of course take care not to let him overdraw or increase his liabilities to the bank. If the notice is not direct from the customer or some one acting for him, it will be well to send to his place of business and confirm the rumor before dishonoring his checks.

*Payment.*—Having seen that the details of the check are in order, and that the check is not stopped, and the drawer is not dead, and has not failed, the cashier may proceed to payment, subject to the

state of the drawer's account. Great care must be taken to make sure that everything is credited before a check is dishonored on the ground of want of funds, for a banker will certainly be mulcted in damages should he improperly refuse payment, and so damage his customer's credit.

If it has been the custom to pay checks against securities, the privilege must not be withdrawn without first advising the customer, unless the securities have suddenly depreciated in value. If there are sufficient funds, irrespective of interest and charges, these should not be debited at an unusual time, without notice, and then a check dishonored for want of funds, but a check can be returned with answer, "effects not cleared," though previously the customer has been permitted to draw against such payments to credit. If a banker holds a check over instead of returning it, and the drawer pays in to his credit enough to cover it, the banker is bound to pay the check, irrespective of the state of the drawer's account. Instead of holding a check over and advising the remitter, it is wiser to return the check at once, and to recall it by telegraph when in a position to pay it.

If the total amount of the checks presented exceeds the available funds of the drawer in his banker's hands, usually those checks would be paid which are within the available amount, but in a similar case the Bank of England returned all the checks presented.

When a check is returned for want of funds, the best answer to give is "Refer to Drawer" (or "R/D"), but if the answer is "not sufficient funds" (or "N/S"), on no account should the deficiency be stated. After a check has been refused which exceeded the customer's balance, smaller checks may still be paid when presented. In Scotland, however, it is not so; presentment of a check there establishing a lien on the balance in the banker's hands in favor of the holder of the check.

When payment of a check is refused on technical grounds, it is desirable to express them so clearly that no imputation can be cast upon the credit of the drawer, and therefore it is often desirable to add to the answer, "will pay on banker's guarantee." If a check can conveniently be sent to a customer, for the correction of a technical flaw, it is much better to do so rather than to return it unpaid.

If a check has been canceled in error, the cancellation may be annulled by writing under it "canceled in error," and the initials of the canceller.

If a check is presented with a bill attached to it but to which it makes no reference, a banker is not entitled to refuse the check because of any irregularity in the bill, but it is otherwise if the check refers to the bill.

Legally, if B pays to his credit with X a check drawn upon X by A, and X receives it without remark, X may return it unpaid to B's debit the day after receipt, but in this as in many other cases, it is well not to rely upon legal rights too strongly, for such action would tend to discredit a bank in the eyes of the public. It is not reasonable that B should occupy a worse position for being a customer than if he were a stranger.

A check is paid as soon as the money is passed across the counter, and a banker has no legal right to demand it back again. The payment dates from the actual day of payment, not from the date of the check, and the interest account should be calculated ac-

cordingly; a check paid by an agent under standing orders should be charged, as to interest, from day of payment, not from day of receipt by the drawer's bankers.

*Mutilated Check.*—If a check bears evidence of having been torn, as though to cancel it, payment should be refused. If it has been cut or torn in two, it is usually returned, unless indorsed in some such form as "Accidentally mutilated by us," duly signed by a banker.

*Dishonored Check.*—For whatever cause a check is dishonored notice should immediately be given to the customer from whom it has been received, if it is not actually returned to him. If it is desirable to retain a hold on the drawer, notice should be given to him also, without delay, on a similar form to that used for dishonored bills.

If a banker has to return a check he should send it back to the bank or person from whom he received it, unless it comes through the London Clearing-house, when it should be sent to the bank who, from the crossing, appear to have sent it to be cleared, not to their London agents.

Even if a dishonored check is reclaimed by the bank on whom it is drawn, the banker to whom it is was returned let his customer know of the return, as it is an indication of the weakness of his customer which he should be made aware of.

If a dishonored check bears foreign indorsements it may be desirable to treat it like a bill, and have it protested, but this will depend upon the instructions given by the customer when paying it in. If any delay is occasioned by obtaining protest, notice of the dishonor should be given at once, without waiting for the documents. If a check be dishonored, and paid on re-representation, commission upon it cannot be claimed from the paying banker.

*Cashing Checks.*—If checks on other offices or banks are cashed against standing orders they fall under the rules for the payment of checks; but if cashed without authority from the bank on whom they are drawn, the presenter, who should indorse the checks, is liable if the checks are returned. If a check is cashed for a stranger it is much safer to take a bearer check, because if it is paid by the banker on whom drawn, though it should afterwards prove to be a forgery, if he does not give notice of the forgery on the day he paid the check, he cannot recover the money from the banker to whom he paid it, though the latter would be liable on a forged indorsement.

A check may be accepted, but it is not desirable for a bank to encourage this practice, known in America as the "certification of checks."

All paid checks should be visibly canceled before they are put away or given up. This is often done by punching a hole in them.

Paid checks are the legal property of the drawer, but the paying banker is entitled to an acknowledgment that they are correct, and correctly charged to the customer's debit, before he parts with them.

*Lost Checks.*—If the payee selects the channel through which the remittance is made, or the ordinary means of communication are made use of, the loss falls upon him, and he must find the indemnity requisite before a new check is issued. On a satisfactory indemnity being offered he can insist upon a new check being given to him.

When a check is lost, the loser should at once advise all who

are parties to it, get payment stopped by drawer, and advertise the loss, but if no forgery is requisite to enable the check to be cashed, any person who takes it honestly and for value can compel the drawer, not the banker on whom drawn, to pay it, if it is not "not negotiable." The drawer must in such a case recover upon the indemnity, if he has issued a duplicate.

#### CASH ORDERS.

These are inland drafts on demand, drawn by traders on traders (therein differing from checks). Generally they are subject to the laws of bills of exchange.

They should be presented for payment within the business hours of the drawee, and the presenter may insist upon being paid in legal tender, though it is usual to accept silver, if sent by the drawee to the bank. If the collecting clerk has permission, he may give the order up in exchange for the drawee's check, or the order may be held till the check is paid, or it may be attached to the check. A check given for a cash order has this advantage, the holder can sue the drawer of it, though he could not sue him as drawee of the cash order. If the order is not paid on presentation, a notice is usually left describing it, and requesting payment to be made at the bank that same day before the close of the bank's business hours. If the order is not taken up by the close of the business day following the day on which the order was presented for payment, it is returned to the remitter with answer "Notice left."

Cash orders are not noted, being usually inland documents. If they are foreign drawn they are treated in all respects as bills of exchange.

Some banks object to collecting cash orders, and either make a heavy charge upon them or refuse to receive them at all.

The acknowledgment of receipt of a cash order must not be accepted as an indication that it has been paid, though if it is held over unpaid it is much the better plan to say so in the acknowledgment. Sometimes a customer gives standing instructions to pay orders drawn upon him by specified individuals, but it is well to require advice from him of each order to be paid, so as to lessen the risk of paying a forgery, the loss on which would fall upon the banker.

#### POSTAL ORDERS AND POSTAL NOTES.

Whenever these are made payable they can all be actually cashed at the General Office in London. A banker is not required to give the name of the remitter, but on the other hand, a banker has been called upon to repay a Post Office Order six weeks after he received cash for it, and cannot receive payment of crossed Postal Notes until they have been examined at the General Office, unless he signs a special undertaking.

#### BILLS OF EXCHANGE AND PROMISSORY NOTES.

These form a very important part of a banker's assets, and it requires considerable discrimination to apprehend what bills are based upon proper mercantile transactions, what are practically mortgages upon inconvertible property, and what are simply accommodation bills, though called by a much less offensive name. Bills drawn by merchants on manufacturers, by manufacturers on wholesale dealers, and by wholesale dealers on retailers, are regular and proper in most trades, though it is necessary to know the customs of each trade before its bills can be criticised. Accommodation bills created

simply to assist one of the parties thereto, can often be detected by a consideration of the business relations of the two parties, but only experience can teach the manifold phases which bills of this character assume.

*Inland Bills* are those both drawn and payable within the British Isles, or drawn within them upon some person resident therein. The British Isles are Great Britain and Ireland, the Islands of Man, Guernsey, Jersey, Alderney and Sark, and the islands adjacent thereto, being part of the Queen's dominions. Such bills are generally "sola" bills, that is to say, are represented by only one document, not by duplicate or triplicate documents, called a "set," as in the case of foreign bills.

*The Date.*—A bill should be dated. If it is not, any lawful holder may put in what he believes to be the true date, but the acceptor should be advised of the date inserted so that he may rightly calculate when the bill falls due. No alteration must be made in a date without the consent of the drawer and acceptor, signified by their initials being affixed.

A bill may bear date prior to, or subsequent to, the day on which it was actually made, or to the date of the impressed stamp, and it may be dated on Sunday.

*The currency* of a bill is the period of time which must elapse before it is due. If the period is expressed in months, calendar months are meant, and the three days' grace are added at the end of the term. Thus, a bill at three months' date, dated 28th November, would complete the three months on the 28th February, and the three days' grace would make it due 3d March, unless, being leap-year, February had 29 days, when it would be due 2d March. In calculating the months no allowance is made for lacking days, so a bill at three months' date from 30th November would complete its three months at the end of February, the 28th or the 29th, as the case might be, and would consequently still fall due on the 3d March.

Bank post bills issued by the Bank of England take no grace. All other bills, even those drawn upon that bank by its correspondents, follow the rule and take three days. Days of grace are alike granted upon bills of exchange and promissory notes. If they are payable by installments, grace is allowed on each installment. Bills are always described as due on the third day of grace, even if it falls on a holiday or a Sunday. If in the above case 3d February were a Sunday, to describe the bill as due 2d February would probably cause its dishonor, although actually it would be presented and paid on that day. Some Russian and other Eastern drawn bills are dated according to the old style, to which 12 days must be added, before the computation of maturity, to bring the date into accord with the Gregorian calendar.

*At sight* drafts are payable on demand and take no grace.

*After-Sight Drafts.*—The currency is reckoned from the date written by the acceptor as that whereon he first saw the bill. If it has been noted or protested for non-acceptance, the period is calculated from the date of noting, and anyone intervening for honor must calculate the currency from that date, not from the date of his intervention.

*Date for Payment.*—If a bill falls due on Sunday, Christmas Day, Good Friday, or on a public fast or thanksgiving day appointed by royal proclamation, it must actually be presented and paid on the previous business day, but if it falls due on a bank holiday

it must be presented and paid on the business day next after the holiday.

*Bank Holidays* in England and Ireland are Easter Monday, Whitsun Monday, the first Monday in August, and the 26th of December, or, if that is a Sunday, then the 27th December. In Scotland they are New Year's Day and Christmas Day (or, if these fall on Sunday, then the following Mondays), Good Friday, and the first Mondays in May and August.

*Overdue Bills.*—If bills are overdue, the recipient cannot acquire or give a better title than the person had from whom he received them.

*Amount.*—The words in the body of a bill or note fix the amount of the bill, the figures are but a memorandum. If they differ the customer and the acceptor should be advised of the correct amount, as given in words, and it should be marked in red ink over the figures. It is better, however, to return such bills for correction.

*Value received*, or similar words, need not be inserted in an inland bill, but are requisite in a foreign one. Reference to particular securities or goods described by their marks does not give the holder of the bill any lien on them, unless he has the actual documents of title.

*Foreign Money.*—If the amount is specified in foreign money the sum to be paid is calculated at the rate of exchange for demand drafts, at the place where the bill is payable, on the day it is due, unless the bill is drawn "Exchange as per indorsement," or some other indication is given in the document of the amount to be paid in sterling.

[TO BE CONTINUED.]

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## A RUSSIAN BANKER'S EXTRAORDINARY CAREER.

The trial of Rykov, once manager of the defunct Bank of Skopine, who, by the enormity of his depredations, unmatched even in Russia, obtained an almost European notoriety, took place some little time ago at the Moscow Assizes. For an entire fortnight the Russian press—albeit the Moscow papers had received more than one official caution—were simply full of the case. The malversations of the ex-manager and his confederates were reckoned at 12,000,000 rubles—probably the biggest robbery ever perpetrated, even in the empire of the Czar. This alone would have been enough to excite public attention. But when, after two years of waiting and suspense, the shameful secrets of this band of brigands were revealed in open court, the figures, portentous as they were, paled into insignificance when compared with the social and political questions raised by this extraordinary trial.

The Bank of Skopine was founded in 1863 at a time of considerable industrial activity, and was expected to prove eminently useful to the trade of the district. It was a communal, not a strictly Government, institution. On the other hand, the State had very much to do with the bank, for, like all communal banks, it was placed under the control of the Ministries of the Interior and Finance, and had to render to the latter department a periodical and detailed account of its operations and its position. Rykov was appointed to the managership, although as everybody knew, he had

been guilty, while occupying a previous appointment, of extensive malversation. But the offence was readily overlooked, perhaps for a reason suggested by the Russian proverb: "Only he who has not sinned against God has not robbed the Czar." True, a few protests were made by the Skopine people. Yet Rykov was sustained by his superiors, and for a short time he seems to have justified their good opinion. But in 1868, as afterward appeared, there was a deficit of 54,000 rubles. Being reluctant to publish this unpleasant fact to the world or impart it to the Minister of Finance, he did what, as his advocate ingeniously put it, anybody in his place would have done—drew up a false balance sheet, and of so satisfactory a character that it drew deposits from all parts of the country. From this date the affairs of the bank went from bad to worse; but the more desperate became its condition the more brilliant grew its balance sheets. Though he was doing no legitimate banking business whatever, Rykov, by the offer of seven and a-half per cent. interest on deposits (while other banks were paying five) procured funds in abundance. To show how his exceptional profits were realized, Rykov entered in the bank's books divers ingeniously contrived financial operations. There were fictitious discounts, fictitious loans, fictitious purchases, and fictitious sales. An old man in the pay of the bank, so illiterate that he could hardly write his own name, signed every December a contract for the purchase of several millions' worth of imaginary securities, and this transaction and the resulting imaginary profit thereon always figured on the bogus balance sheet presented to the Minister and published in the *Gazette*.

Rykov not only paid his depositors a high rate of interest, but he gave away large sums to charitable institutions, supported schools, and subsidized churches, thereby securing the good-will of the clergy, and acquiring a high reputation for piety and philanthropy, good works and right views. All these gifts, as well as Rykov's own personal expenditure, which was on a lavish scale, were taken from the bank's coffers and entered as payments to dummy customers. The remainder and greater part of the receipts and deposits were simply stolen, either for the manager's own purposes or to buy the silence of his confederates. Paper was made on an extensive scale, and with little attempt at disguise. Antieff, a man of straw, drew on Safoneff, equally a man of straw, for fifty or a hundred thousand rubles, discounted the bill, and got the money. Then the operation would be reversed, and Safoneff get the money. Purely fictitious bills with imaginary names were discounted, and the porters and messengers of the bank figured in the books as debtors for tens of thousands of rubles taken by their master. "Everything was done *en famille*," said one of the witnesses.

But to profit by all this profusion it was necessary to belong to the clique, to be either a protector, a kinsman, or an accomplice. Lists of suppliants (*sic*) were laid regularly before Rykov, who, according to his caprice, wrote opposite each name "granted" or "refused." When a bill fell due the acceptor was courteously requested to accept another, including the discount, which, it is hardly necessary to say, nobody ever thought of paying in coin. But after a while even these formalities ceased to be observed. When the favored few wanted money they simply asked for it—sometimes took it without asking. "They took money from the cash-box without counting it," said one witness. "They came with a pocket handkerchief, filled it with bank notes, and went home," testified another.

Such was the method of doing business in the famous Bank of

Skopine. And the swindle went on, not for a few weeks or months merely, but for something like fifteen long years, an astounding fact even for Russia, and elsewhere unimaginable. In a small provincial town, where everybody knows everybody else, Rykov's doings and the bank's position could not possibly be secret—were a fact so widely known that when the crash came the entire province (Krasar) produced but 19 unfortunates who had entrusted their savings to M. Rykov and his fellow robbers, and among the 6,000 customers of the bank not one dwelt in Skopine. How, then, was it possible for irregularities which were known to a whole province to escape for fifteen years the attention of the authorities, local and general? How, above all, did it escape the attention of the corporation, for the law places communal banks under the immediate supervision of mayors and municipalities. It is their duty each month to examine the books, count the cash, and overhaul the securities. How was it, then, that all this time the municipality failed to remark the gross and palpable frauds perpetrated by their manager? The answer is simple. They were privy to the frauds, and participators in the plunder. All robbed the bank. Mayor Ikonnikov robbed, Mayor Ootschinnikov robbed, the Town Clerk robbed, every member of the municipality robbed. The monthly audit was a farce. The books were never looked at, the cash was never counted, and the balance sheet was signed without being examined.

Having bought the entire local administration, Rykov became as much the autocrat of Skopine as the Czar is of all the Russias. He could do whatever he liked, and conducted himself with all the insolence of an ignorant parvenu. There dwelt in the town a doctor of the name of Bitni, a man of good repute and highly esteemed for his integrity, but being so unfortunate as to offend Rykov, he was one day ordered by the police to betake himself to the town of Kassimvo, and there abide. No reason for this arbitrary proceeding was assigned, and it was only when the day of reckoning came that Dr. Bitni learned that his expulsion was due to Rykov, who had remarked to the *ispravnik* that the doctor was an "evil-intentioned man." On this hint the Chief of Police had acted. A young fellow named Sokoloff was so ill-advised as to whistle while passing the manager in the public garden of Skopine. Rykov chose to look on this as an insult, and, the *ispravnik* taking the same view of the matter, the youth was exiled by administrative order. With M. Orloff, an engineer, it fared even worse. He was sent by a company to purchase some coal, the produce of a mine owned by the bank in the Province of Kiasan. But finding the article of indifferent quality, he refused, on behalf of his employers, to accept it, and being presumably an honest man, he was not to be corrupted by the bribes which were no doubt offered him. Be that as it may, Rykov charged M. Orloff with incendiarism, had him arrested, and sentenced him to a term of imprisonment, which he was only saved by the intervention of the Imperial Procurator-General from undergoing. "The police of Skopine," said the witness Lanskoj, whose evidence was quoted in the indictment, "was ready at any moment to execute Rykov's least desire."

But, it may be asked, were there not among this mass of cowardice, servility and corruption, a few just men with sufficient public spirit to bring the doings of the Nabob of Skopine to the notice of the higher authorities, who could not possibly have yielded to his influence or accepted his bribes? Yes, certainly, there were



several. One of them was the ill-fated Diakonov, and he had his reward. And then there was the ex-Mayor, Leonon, who gave evidence on the trial. While he was in office the affairs of the bank were in order, the books properly audited, the cash and securities regularly overhauled. But this did not suit Rykov's purpose. He bribed the electors and municipality; Leonon was turned out of office and a more complaisant Mayor chosen in his place. Yet, though no longer a magistrate, he did not cease his endeavors to protect the bank from the depredations of its managers. So far back as 1868 Leonon and several other citizens addressed a petition to Gen. Boldireff, Governor of the province, in which they set forth the condition of the bank, and prayed him to order an inquiry. In 1874—six years afterward—came the answer. It was to the effect that, the petition not being drawn up according to the prescribed form, no action could be taken thereupon. In 1878 another like attempt was made, the authority appealed to in this instance being the Minister of the Interior. The answer was as characteristic as before. As the document did not carry the proper stamp (20 copecks—5d.) the prayer of the petitioners could not be taken into consideration. On this the petitioners drew up another address, correctly stamped, and sent that to the minister, expecting that this time, at least, something would be done. "But," said one of them (Maslechnikoff), when giving his evidence, "we have not received an answer to this day."

This indifference in high quarters is as easily explained as the voluntary blindness of the local administration. Boldireff, the Governor of the province, was bribed like the rest. He received from Rykov 79,000 rubles. Volkov, the Vice-Governor, did better; he got 100,000 rubles. The Marshall of the nobility sold himself for a paltry 12,000. When the inquiry was ordered in 1882 this gentleman found it convenient to be abroad. The Councilor of the Provincial Government, Koumiantzer, the members of the Tribune, Babine, Kirmilitzin, and the Procurator Pottavzki, were proved to have been all in the same boat.

The exposure of the frauds and the punishment of the criminals were due to the efforts of three or four honest citizens, Leonoff, Popoff and Rausoff, and the courage of a single newspaper. If these men had not been ex-members of the municipality, and well-to-do, they would have learned to their cost what it was to denounce a Councilor of Commerce and chevalier of several orders. Utterly unable to make any impression on the local administration, or to obtain a hearing from the higher authorities, they did that which in Russia is looked upon as a doubtful and desperate expedient, but which in any other country would have been done at the outset—they appealed to the press. But even here the irrepressible manager barred the way. For two years the letters they dispatched to various papers never reached their destination; they were stopped at the post office. According to the evidence of the witness Simonoff, evidence which was not gainsaid, Peroff, the postmaster, received from Rykov 50 rubles per mensem, in consideration of which he intercepted and handed to his employer every letter addressed to a newspaper which came into the office, and any other that the manager wanted. Atlaroff, the telegraphist, rendered in his department analogous services on similar terms. It was only in 1882 that the gentlemen in question succeeded in getting printed in the *Russian Courier* several letters on the affairs of the Bank of Skopine. The journal that did this good service for the community is one

of the few liberal organs left, and it has been harried and persecuted by the Government to the verge of extinction. Other papers, either because they were paid to keep silence, or reluctant to attack an institution so closely connected with the State, and enjoying the confidence of so many "supporters of order," refused to publish any letters whatever on the subject. M. Katkoff, the celebrated editor of the Moscow *Gazette*, had the questionable honor of being publicly praised by Rykov as one of his greatest and most esteemed benefactors!

The letters in the *Courier* were the death sentence of the Skopine Bank. Creditors rushed from all parts of the country to withdraw their deposits, but the run ceased almost as soon as it began, for the strong room, instead of containing the 12,000,000 rubles, as shown on the balance sheet was empty, and the bill cases were filled with bogus paper. The bank fell, and great was the fall thereof. The scandal and the panic it caused spread far and wide; confidence was at an end, and there was a run on nearly every communal bank in Russia. A few stood the test, but a full dozen came to the ground, and when their affairs were looked into they were found to be pretty much in the same condition as those of the Bank of Skopine.

Among others the Bank of Kanychin (Province of Saratoff) had to close its doors, and when inquisition was made serious irregularities were discovered; the Mayor of the town and several of its richest merchants were arrested and put on their trial. They had depleted the bank of the whole of its paid-up capital and its reserve, for which there was nothing to show but worthless paper. It was the bank of Skopine over again, but on a smaller scale. At Krolevez (Province of Tchernigoff) the entire personnel of the communal bank were placed under arrest, the charge against them being that, in collusion with several tradesmen of the place, they had committed extensive malversations. The manager and assistant manager of the Bank of Roslavl (Province of Smolensk), which also broke, were convicted of having embezzled 28,000 rubles of the bank's money. The accounts of this establishment had not been audited for 11 years. At Tamboff, where the inquisition brought to light quite a multitude of malversations, a system of bill discounting had been practiced probably unique in the annals of banking. When the manager wanted to oblige a friend and still keep up a show of regularity he would discount his draft on his wife and provide for the bill at maturity by reversing the operation. Similar discoveries have been made and prosecutions instituted at Voronez, Kotelnich, Kozloff, and other places, and the papers announce that in a very short time will take place the trial of Airloff, ex-manager of the Bank of Orel, and all his colleagues in the direction, who are charged with having misappropriated 12,000,000 rubles of the bank's money. As their defalcations were spread over 12 years, the case is not unlike that of Skopine.

During Rykov's trial he protested warmly and often against what he called the injustice of the public and the press. "They say that I am a monster; that I have stolen six millions. It is a gross calumny. I swear before you, gentlemen of the jury, that I stole but one million; one million only," he protested with indignant gestures and unconscious humor. This was quite true, as his young advocate triumphantly proved. For his personal use Rykov had taken only a million. But he had been enabled to take that mil-

lion only by spending four millions more as hush-money. The Government by which Russia has the misfortune to be ruled is for the country pretty much what Rykov was for the bank. In order to obtain money for its own use it must connive at the depredations of its own agents. To maintain its prerogatives the central despotism must tolerate the despotism of thousands of local autocrats, Governors, policemen, and *ispravniks*. To shield itself from criticism the State must suppress freedom of speech, muzzle the press, and, for fear lest the latter should expose the abuses of the system, forbid it to expose the malpractices of individuals.

### POWERS OF BANK CASHIERS.

[CONCLUDED FROM THE MAY NUMBER.]

Nor can he obligate it to a holder knowing the facts by indorsing, as its cashier, paper for the accommodation of a third party, though it may be so obligated to a subsequent *bona-fide* taker.

But although a cashier has power to transfer and indorse in behalf of the bank, and in the ordinary course of his duties, its negotiable securities, he cannot transfer or indorse its non-negotiable paper without special authority from the directors. An exception to this rule exists, however, in the transference of certificates of stock and similar securities, which, it is held, may be effected by him by virtue of the office which he holds.

In making the indorsement, it is not necessary that great formality be observed. While in some way it should appear to be made on behalf of the bank, and not on the individual account of the cashier, slight circumstances are enough to infer this. Thus, as somewhat of an exception to the general rule respecting signing by agent, it is sufficient to bind the bank, where the cashier writes his name on the instrument, with the addition of the name of his office merely, without writing the words "for the bank," etc.\* So, simply the addition of the abbreviation "Cas." to the name of the cashier has been deemed sufficient to make it the indorsement of the bank, as has the addition of the abbreviation "Cr."

*No Power to Convey or Encumber the Property of the Bank.*—Neither the inherent nor the implied power of a cashier extends to the conveyance or encumbrance of its property, real or personal, other than that mentioned. Such power is reposed in the board of directors, and if it be sought to be exercised by others, the authority for it must be shown. However, it is held that when the cashier assigns a certificate of sale, affixing the corporate seal, his authority to do so will be presumed, until the contrary be shown.\* And the rule will not be carried to the extent of denying him the power to discharge a mortgage and note in the ordinary course of the business of the bank.

*Power to Borrow.*—It is one of the implied powers of a cashier to borrow on the general credit of the bank, funds for its use, and to emit its paper therefor.

*Power to Accept Bills of Exchange.*—The power of a cashier to accept bills of exchange drawn on the bank, was recognized in the case of *The Farmers', etc., Bank v. Troy City Bank*,\* but it was held in the same case that, notwithstanding this power, he cannot accept

\* 1 Doug. (Mich.) 457.

bills of exchange, on behalf of the bank, for the accommodation merely of the drawers.

*Power to Collect Debts—No Power to Compromise or Release.*—The cashier of a bank has a general authority to superintend the collection of its notes and debts, and to make such arrangements as may facilitate that object. His authority does not, however, extend so far as to justify him in altering the nature of the debt, or in changing the relation of the bank from that of a creditor to that of an agent of its debtor; nor in executing a composition agreement, and release therefor; nor in releasing the maker of a note, payable to and held by the bank; nor in consenting to any arrangement by which the security of the bank on paper due it will be released or impaired. Such powers are functions of the board of directors, not of an executive officer.

*Power to Transfer the Bank Stock.*—It is an inherent power of a bank cashier to transfer the shares of its stock on the corporate books.

*Admissions and Declarations of the Cashier.*—The same rules apply to the admissions and declarations made by a cashier to a customer that do to any other of his acts. If they are within the scope of his ordinary duties, or are otherwise authorized, they are binding, but if not, they are of no obligating effect. Thus, in *Cochico Nat. Bank v. Haskell*,\* where the cashier, on inquiry, informed the surety on one of its notes that the same had been paid, with the intention that he should rely upon it, and the surety did so, and was prejudiced thereby, it was held that the bank was estopped to deny that the note was paid. But, on the other hand, in the case of *Mapes v. Second Nat. Bank of Titusville*,† where the indorser, before becoming such, was told by the cashier that he considered the maker, for whose accommodation the indorsement was made, perfectly good financially, and that he would be safe in making such indorsement, by which statements the indorsement was procured to be made, it was held that, although willfully false, they did not avail to bind the bank, not being within the course of the cashier's ordinary duties.

Although money paid by the cashier to a *bona-fide* holder on forged bills, or forged checks on the bank, is not recoverable, he cannot obligate the bank by his mere admissions of the genuineness of such bills or checks, nor can he by his admissions of the legality of its void debts.

*Power to Receive Notice.*—Notice received by the cashier, in the course of the duties of his office, concerning matters pertaining to its business, is notice to the bank.

*Place and Time of the Act.*—It is by no means essential, in all cases, that the act of the cashier be done within banking hours, or at the counter or in the office of the bank, to be of binding effect upon it. Thus, in *Houghton v. First Nat. Bank*,‡ it was held that his representations made within the scope of his ordinary duties are binding, though made elsewhere. So, in *Bissell v. First Nat. Bank*,|| it was decided that his indorsement made in the street, after banking hours, may bind the bank. Likewise, in *Merchants' Bank v. State Bank*,§ it was held that the fact that a check which had been indorsed "good," was not certified by the cashier at his banking house, was no objection to the validity of the act.

*Power to Receive Special Deposits.*—It is an accommodation often extended by banks to their customers to receive special deposits for

\* 80 Pa. St. 163.    † 26 Wis. 663.    ‡ 69 Pa. St. 413.    § 10 Wall. 604.    § 51 N. H. 119

gratuitous keeping. If this be habitually done by the bank, it will be considered one of the powers of the cashier, but otherwise not.

As is perfectly familiar, the taking of such deposit does not raise the relation of debtor and creditor, as does that of an ordinary cash deposit, but that of bailee and bailor. The bank is ordinarily only liable for gross negligence respecting it, and to this responsibility the cashier cannot add by any acts of his, unless he be specially authorized thereto.

*Power with Reference to Suits.*—A cashier is a competent officer of the bank to authorize the institution of a suit in its behalf on its matured paper.

It is not, however, within the scope of the powers ordinarily conferred on such officer to appear and defend suits against the bank. Nor is it to waive the service of a petition praying a forfeiture of its charter, or the filing of an answer which virtually confesses the forfeiture of the charter and admits the necessity of the immediate liquidation of the bank. Nor, again, is it within the scope of his general powers to bind the bank to indemnify an officer for levying upon property on an execution in its favor.

—L. K. MIHILLS in *Central Law Journal*.

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## TAXATION OF NATIONAL BANK SHARES.

*Boyer v. Boyer.*

### SUPREME COURT OF THE UNITED STATES.

1. The former decisions of this court do not sustain the proposition that National bank shares may be subjected, under the authority of the State, to local taxation, where a very material part, relatively, of other moneyed capital in the hands of individual citizens within the same jurisdiction, or taxing district, is exempted from such taxation.

2. While exact uniformity or equality of taxation cannot be expected under any system, capital invested in National bank shares was intended by Congress to be placed upon the same footing of substantial equality in respect of taxation by State authority as the State establishes for other moneyed capital in the hands of individual citizens, however invested, whether in State bank shares or otherwise.

Harlan, J., delivered the opinion of the court:

The plaintiff in error brought this suit in a State court of Pennsylvania for an injunction restraining the Commissioners of Schuylkill County from levying a county tax for the year 1883 upon certain shares in the Pennsylvania National Bank—an association organized under the National Banking Act. The suit proceeds upon the ground that such levy violates the Act of Congress prescribing conditions upon State taxation of National bank shares, in this that "other moneyed capital in the hands of individual citizens" of that county is exempted, by the laws of Pennsylvania, from such taxation. A demurrer to the bill was sustained, and the suit was dismissed. Upon appeal to the Supreme Court of Pennsylvania, that judgment was affirmed, on the ground that the laws of the State, under which the defendants sought to justify the taxation, were not repugnant to the Act of Congress.

State taxation of National bank shares was permitted by the

forty-first section of the Act of Congress of June 3, 1864, subject to the restriction that it should not be at a greater rate than that imposed upon other moneyed capital in the hands of individual citizens of the same State. (13 Stat., ch. 106, § 41.) But that section contained a proviso to the effect "that the tax so imposed, under the laws of any State, upon the shares of any of the associations authorized by this Act, shall not exceed the rate imposed upon the shares in any of the banks organized under the authority of the State where such association is located." The case of *Lionberger v. Rouse*, 9 Wall. 469, arose under that Act. The question there was, whether shares in a National bank were exempt from State taxation merely because two State banks of issue, organized before the National Banking Act was passed, and which held a very inconsiderable portion of the banking capital of the State, had, by their charter, the right to pay a certain per cent. on the amount of their capital stock in full of all State bonus and taxes—an amount less than that imposed upon National bank shares. The shares of other associations in the State, having the privileges of banking, except the power to emit bills, were taxed like the shares in National banks. It was held that Congress meant, by reference in the Act of 1864 to taxation of State bank shares, to require, as a condition to taxation by the State of shares in National banks, that she should, unless restrained by valid contract, tax in like manner the shares of banks of issue of her own creation. There was no question in that case of discrimination against capital invested in National bank shares in favor of moneyed capital which was invested otherwise than in bank stock.

But the Act of 1864 was so far modified by that of February 10, 1868 (15 Stat., ch. 7), that the validity of such State taxation was thereafter to be determined by the inquiry, whether it was at a greater rate than was assessed upon other, moneyed capital in the hands of individual citizens, and not necessarily by a comparison with the particular rate imposed upon shares in State banks. The effect, if not the object, of the latter Act was to preclude the possibility of any such interpretation of the Act of Congress as would justify States, while imposing the same taxation upon National bank shares as upon shares in State banks, from discriminating against National bank shares, in favor of moneyed capital not invested in State bank stock. At any rate the Acts of Congress do not now permit any such discrimination. Section 5,219 of Revised Statutes is as follows:

"Nothing herein (the National Bank Act) shall prevent all the shares in any association from being included in the valuation of the personal property of the owner or holder of such shares, in assessing taxes imposed by authority of the State within which such association is located, but the Legislature of each State may determine and direct the manner and place of taxing all the shares of National banking associations located within the State, subject only to two restrictions, that the taxation shall not be at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State, and that the shares of any National banking association, owned by non-residents of any State, shall be taxed in the city or county where the bank is located, and not elsewhere. Nothing herein shall be construed to exempt the real property of associations from either State, county, or municipal taxes to the same extent, according to its value, as other real property is taxed." R. S., sec. 5,219.

Whether the proposed taxation for county purposes of the plaintiff's shares of National bank stock is at a greater rate than is assessed, for like purposes, on other moneyed capital in the hands of individual citizens, is the single question upon which depends the affirmative or reversal of the judgment.

Before examining the statutes of Pennsylvania upon the subject of taxation, it will be well to ascertain how far the decisions of this court have fixed the true meaning of the words "at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens of such State."

The Supreme Court of Pennsylvania is of opinion that the commissioners are fully sustained by the decision in *Hepburn v. The School Directors*, 23 Wall. 480. In that case the question was, whether the owner of National bank shares, residing in Cumberland County, Pennsylvania, was exempt from a local tax by reason of a statutory exemption from all taxation in that county, except for State purposes, of "mortgages, judgments, recognizances, and money owing upon articles of agreement for the sale of real estate," except mortgages, judgments, and articles of agreement given by corporations. Laws Pa. 1868, p. 61. The value of such securities (if they could all be properly so described), as compared with other moneyed capital in the hands of individual citizens in that locality, did not appear in that case. What the court had to decide, and all that it did decide, was whether the exemption from local taxation, of mortgages, judgments, recognizances, and money due upon agreements for the sale of real estate, in the hands of individuals, was a partial exemption only; that is, whether it was so substantial in its nature and operation as to affect the integrity of the general assessment for local purposes. The court, after observing that money at interest was not the only moneyed capital to which the National Banking Act had reference, and that the words "other moneyed capital" included investments in bank shares and other stocks and securities, said: "This is a partial exemption only. It was evidently intended to prevent a double burden by the taxation, both of property and debts secured upon it. Necessarily, there may be other moneyed capital in the locality than such as is not exempt. Some part of it only is. It could not have been the intention of Congress to exempt bank shares from taxation because some moneyed capital was exempt. That case is authority for the proposition that a partial exemption by a State, for local purposes, of moneyed capital in the hands of individual citizens does not, of itself and without reference to the aggregate amount of moneyed capital not so exempted, establish the right to a similar exemption in favor of National bank shares held by persons within the same jurisdiction. But it is by no means an authority for the broad proposition that National bank shares may be subjected to local taxation where a very material part, relatively, of other moneyed capital in the hands of individual citizens, within the same jurisdiction or taxing district, is exempted from such taxation. Indeed, such an interpretation of the statutes might entirely defeat the purpose that induced Congress to confine State taxation of National bank shares within the limit of equality with other moneyed capital; for it would enable the States to impose upon capital invested in such shares materially greater burdens than those to which other moneyed capital in individual hands is subjected.

The case of *Adams v. The Mayor of Nashville*, 95 U. S. 19, is also relied upon to support the judgment below. The question

there raised was whether an alleged exemption from municipal taxation, under an ordinance of a city of its interest-bearing bonds, operated to exempt from like taxation the shares in a National bank located in the same city. The court held that as the ordinance had been abrogated by subsequent legislation of the State, no such exemption existed. However, considering the question on its merits, it was said that the Act of Congress did not intend "to cut off the power to exempt particular kinds of property, if the Legislature chose to do so." In illustration of this view, reference was made to exemptions of homesteads, household furniture, schoolhouses, academies and libraries—regulations sustained, as a general rule upon grounds of policy and humanity, or because the property exempted is employed for objects more or less connected with the public welfare. And it was observed that the discretionary power of the legislature over such subjects remained as before the Act of 1868, the intention of that statute being to protect corporations, formed under its authority, from unfriendly discrimination by the States in the exercise of their taxing power. "That particular persons or particular articles are relieved from taxation, is not a matter to which either class can object." It is scarcely necessary to say that this language leaves untouched the question as to the power of the State to subject the shares of National banks to taxation, when a very material portion of other moneyed capital in the hands of individual citizens and corporations is exempted from like taxation.

The court has had occasion to examine the provisions of the National Banking Act in several other cases recently determined. *People v. Weaver*, 100 U. S. 539; *Pelton v. National Bank*, 101 Ib. 143; *Cummings v. Same*, Ib. 153; *Supervisors v. Stanley*, 104, U. S. 305; *Evansville Bank v. Britton*, Ib. 323.

From these cases may be deduced certain rules for the construction of that Act:

1. That the words "at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens" refer to the entire process of assessment, which, in the case of National bank shares, includes both their valuation and the rate of percentage on such valuation; consequently that the Act of Congress is violated if, in connection with a fixed percentage applicable to the valuation alike of National bank shares and of other moneyed investments or capital, the State law establishes or permits a mode of assessment by which such shares are valued higher in proportion to their real value than is other moneyed capital.

2. That a State law which permits individual citizens to deduct their just debts from the valuation of their personal property of every kind, other than National bank shares, or which permits the taxpayer to deduct from the sum of his credits, money at interest or other demands to the extent of his *bona-fide* indebtedness, leaving the remainder to be taxed, while it denies the same right of deduction from the cash value of bank shares, operates to tax the latter at a greater rate than other moneyed capital.

These decisions show that, in whatever form the question has arisen, this court has steadily kept in view the intention of Congress not to permit any substantial discrimination in favor of moneyed capital in the hands of individual citizens, as against capital invested in the shares of National banks. In *People v. Weaver*, the court said: "As Congress was conferring a power on the States which they would not otherwise have had, to tax these shares, it



undertook to impose a restriction on the exercise of that power, manifestly designed to prevent taxation which should discriminate against that class of property as compared with other moneyed capital. In permitting the States to tax these shares it was foreseen that the States might be disposed to tax the capital invested in these banks oppressively. This might have been prevented by fixing a limit on the amount. But Congress, with due regard to the dignity of the States, and with a desire to interfere only so far as was necessary to protect the banks from anything beyond their equal share of the public burdens, said: You may tax the real estate of the banks as other real estate is taxed, and you may tax the shares of the bank as the personal property of the owner, to the same extent you tax other moneyed capital invested in your State. It was conceived that by this qualification of the power of taxation, equality would be secured and injustice prevented.

We come now to consider whether the laws of Pennsylvania, under which defendants propose to levy a tax, for county purposes, upon the plaintiff's shares of stock, are open to the objection that they violate the principle of equality, which the Act of Congress intended to establish between capital invested in such shares and other moneyed capital?

By a law of that State, passed March 31, 1870—upon which the defence mainly rests—it is provided, "That all the shares of National banks located within this State, and of banks and Savings institutions incorporated by this State, shall be taxable for State purposes at the rate of three mills [subsequently four] per annum upon the assessed value thereof; and for county, school, municipal and local purposes at the same rate as now is or may hereafter be assessed and imposed upon other moneyed capital in the hands of individual citizens of this State." Laws of Pa. 1870, p. 42. This Act suggests, upon its face, the inquiry as to what moneyed capital, in the hands of individual citizens, is subject to taxation for county and other local purposes; for such capital, if exempted from local taxation at the date of the passage of that Act remains exempt unless the Legislature of the State has since subjected it to taxation. Evidently, in respect of taxation for local purposes, the Legislature did not intend, by the Act of 1870, to remove the then existing exemptions, and subject all moneyed capital, of whatever description, to such taxation; but only to establish a uniform rate of local taxation as between capital invested in National bank shares, and such, and only such, moneyed capital as was then, or might thereafter be, subjected to taxation.

To ascertain what moneyed capital was, at the passage of the Act of 1870, or has since become exempted in Pennsylvania from taxation for county purposes, requires an examination of several statutes commencing with the one passed in 1844. The latter subjected to taxation, "for all State and county purposes whatsoever," the following personal property: Mortgages, money owing by solvent debtors, whether by promissory note, penal or single bill, bond or judgment; articles of agreement and accounts bearing interest, except notes or bills for work and labor done, and bank notes; shares or stock in any bank, institution or company then or thereafter incorporated by or in pursuance of any law of the State, or of any other State or government; shares of stock or weekly deposits in unincorporated Savings fund institutions; public loans or stocks, except those issued by the State; money loaned or invested on interest in any other State. (2 Brightly's Purdon's Dig., 1,380; Laws Pa., 1844, p. 497.)

In 1850, shares of stock in State banks, created after the State Banking Act of 1850, were relieved from taxation for county purposes. (Laws Pa., 1852, p. 442; 1 Grant 35.) And in 1854 all bonds or certificates of loan of any railroad company incorporated in the State were declared liable to taxation "for State purposes only." (2 Brightly's Purdon's Dig., 1,369, § 81.)

By an Act approved April 12, 1859, it was provided that thereafter the capital stock of all banks, Savings institutions, and companies whatever, of the State, "shall be subject to and pay a tax into the Treasury of the commonwealth annually, at the rate of one-half mill for each one per cent. of dividend made or declared by such bank, Savings institution, or company," and in case of no such dividend being declared, then three mills upon a valuation of the capital stock, agreeably to the above Act of 1844. The same Act exempted from tax upon dividends, any institution or company (except banks of issue) then liable for tax on capital stock. It was further declared that that Act should not be so construed as to make building associations, plank-road or turnpike companies liable for any tax to the commonwealth, when such companies make or declare no dividends. (Laws Pa., 1859, p. 529.) And by an Act passed January 3, 1868, it was declared that from and after its passage the shares of stock held by any stockholder in any institution or company incorporated under the laws of the State, which in its corporate capacity is liable to, and pays into the State Treasury, the tax imposed by the Act of April 12, 1859, "shall not be taxable in the hands of said stockholder personally, for State, county, or local purposes"; so much of the Act of 1844 as imposed a tax for State or county purposes upon any stockholder in his individual capacity being repealed in terms, without relieving such corporations from any tax then imposed by law, or their real estate from any State, county, or local tax to which it then, was or might thereafter be subjected. (Laws Pa., 1868, p. 1,318.)

Then followed the Act of 1879, by the third section of which every incorporated company or association doing business in Pennsylvania, or having capital employed there in the name of any other company or corporation—except foreign insurance companies, banks, and Savings institutions—was required to pay a certain annual tax on its capital stock into the State Treasury. (Laws Pa., 1879, p. 112.)

This brings us to the Act of June 10, 1881, whereby mortgages, moneys owing by solvent debtors, whether by promissory note, penal or single bill, bond or judgment; articles of agreement and accounts bearing interest—except notes or bills for work and labor done; obligations to banks for money loaned, bank notes, shares of stock in banks, banking or Savings institutions or companies then or thereafter incorporated under any law of Pennsylvania; public loans or stocks, except those by that State or the United States; money loaned or invested in any other State, and all other moneyed capital in the hands of individual citizens of that State, are declared "to be, and are hereby, taxable for State purposes, at the rate of four mills on the dollar of the value thereof annually; *provided*, that all mortgages, judgments and recognizances whatsoever, and all moneys due or owing upon articles of agreement for the sale of real estate, shall, after the passage of this Act, be exempt from all taxation except for State purposes; *provided*, the provisions of this Act shall not apply to building and loan associations," the money loaned by them being subjected to the same tax

as money loaned by individuals. By the second section of the same Act, all corporations paying interest on a loan or loans taxable for State purposes, whether secured by bond, mortgage or recognizance, or otherwise, are required to report to the auditor-general annually the amount of such indebtedness owned by residents of Pennsylvania, and to pay into the State Treasury four mills upon every dollar of such indebtedness, such tax to be deducted by the corporation paying it from the interest on such indebtedness; whereupon "such indebtedness, whether secured by bond, mortgage, judgment or otherwise, shall be exempt from other taxation in the hands of the holders thereof." (Laws Pa., 1881. p. 99.)

Unless we greatly misapprehend the effect of this legislation, a very large amount of property made subject by the Act of 1844 to taxation for both State and county purposes, has since been relieved from the burdens of county taxation; while the imposition by the Act of 1870 upon National bank shares of local taxation at the same rate as was at the latter date, or has been since, imposed upon other moneyed capital in the hands of individual citizens of the State, leaves such shares subject to taxation as provided in the Act of 1844. The burden of county taxation, imposed by the latter Act, has, at all events, been removed from all bonds or certificates of loan issued by any railroad company incorporated by the State; from shares of stock in the hands of stockholders of any institution or company of the State which, in its corporate capacity, is liable to pay a tax into the State Treasury under the Act of 1859, from mortgages, judgments and recognizances of every kind; from moneys due or owing upon articles of agreement for the sale of real estate; from all loans, however, made by corporations which are taxable for State purposes when such corporations pay into the State Treasury the required tax on such indebtedness.

As the present case comes before us upon demurrer to the bill, we have, excepting the allegations of the latter, no means of determining the value of the capital thus exempted from the county taxation which is imposed upon capital invested in National bank shares. After referring to the Acts of 1870 and 1881, the bill charges:

"That for the year 1881, as is shown by the public report and by the books of the auditor general of Pennsylvania, the sum of \$1,692,938.66 was paid into the State Treasury as tax upon the capital stock of such corporations by them in their corporate capacity, which sum of money was paid upon a gross capital stock, of the corporations paying the same, of the value, approximately stated, of 564 millions of dollars.

"That it appears, as is shown by the books and published report of the Secretary of Internal Affairs for the year 1881, that the total valuation throughout the State for that year of 'all mortgages, money owing by solvent debtors, whether by promissory note, penal or single bill, bond or judgment, also all articles of agreement and accounts bearing interest, owned or possessed by any person or persons whatsoever (except notes or bills for work or labor done, and all obligations given to banks for money loaned, and bank notes) and all public loans or stocks whatsoever, except those issued by this State or the United States, and all moneys loaned or invested on interest in any other State, and all other moneyed capital in the hands of individual citizens of the State,' amounts to \$74,931,765;

"That for the same year, as is shown by the books and pub-

lished reports of the auditor general, a tax was paid into the State Treasury upon corporation and municipal loans, not probably included in the foregoing sum, upon an aggregate valuation of \$51,404,162.50;

"That by the provisions of sec. 1 of the Act of 10th June, 1881 (P. L., 99), all mortgages, judgments and recognizances whatsoever, and all moneys due or owing upon articles of agreement for the sale of real estate were exempt from all taxation, except for State purposes;

"That the section 2 of said Act of 1881 exempts from local taxation in the hands of the holders thereof, all loans issued by corporations paying interest thereon, where such corporations pay into the State Treasury the State tax of four mills on each dollar thereof, and by Act of May 1, 1854 (P. L., 535), 'all bonds or certificates of indebtedness of any railroad company incorporated by this commonwealth be, and the same shall be liable to taxation for State purposes only';

"That the total paid-in capital of the State banks and Savings institutions in said commonwealth, other than National banks, as appears by the books and published reports of the auditor general for the year 1881, is \$7,161,740.68, while the total paid-in capital of the National banks located within said State in said year, amounted to \$57,452,051."

The demurrer, of course, admits these allegations of fact to be true. Their materiality is not affected by the circumstance that they are stated to appear, also, upon the books and published reports of the auditor general and the Secretary of Internal affairs of Pennsylvania. Upon such facts, and in view of the revenue laws of the State, it seems difficult to avoid the conclusion that, in respect of county taxation of National bank shares, there has been, and is, such a discrimination in favor of other moneyed capital against capital invested in such shares, as is not consistent with the legislation of Congress. The exemptions in favor of other moneyed capital appear to be of such a substantial character in amount as to take the present case out of the operation of the rule that it is not absolute equality that is contemplated by the Act of Congress; a rule which rests upon the ground that exact uniformity or equality of taxation, cannot in the nature of things be expected or attained under any system. But, as substantial equality is attainable, and is required by the supreme law of the land, in respect of State taxation of National bank shares, when the inequality is so palpable as to show that the discrimination against capital invested in such shares is serious, the courts have no discretion but to interfere.

The Supreme Court of Pennsylvania, after referring to *Hepburn v. The School District*, as having involved the same question that is now presented, and observing that the exemption is here, as there, only partial, says: "Not only is some other moneyed capital of a miscellaneous character taxable for local purposes, but all such capital of the same character as that which you desire to exempt—that is to say, the shares of State banks and Savings institutions." Again: "The General Assembly has authorized the taxation of the shares of these banks in no other manner and at no higher rate than other capital of a similar character." If, by this language it is meant that an illegal discrimination against capital invested in National bank shares cannot exist where no higher rate or burden of taxation is imposed upon them than upon capital invested in State bank shares, or in State savings institutions, we have to say

that such is not a proper construction of the Act of Congress. Capital invested in National bank shares was intended to be placed upon the same footing of substantial equality in respect of taxation by State authority, as the State establishes for other moneyed capital in the hands of individual citizens, however invested, whether in State bank shares or otherwise. As the Act of Congress does not fix a definite limit as to percentage of value, beyond which the States may not tax National bank shares, cases will arise in which it will be difficult to determine whether the exemption of a particular part of moneyed capital in individual hands is so serious or material as to infringe the rule of substantial equality. But unless we have failed to comprehend the scope and effect of the taxing laws of Pennsylvania, and unless the allegations of the bill be untrue, the present case is not of that class.

Our attention is called by counsel for the defendants to the fact that Pennsylvania derives, probably, her principal revenues from railroads, and therefore has good reasons to look to her interests, as a commonwealth, in respect of such improvements. To this fact he refers the legislation which makes railroad securities liable to taxation for State purposes only, and exempts them from local taxation. Upon like grounds he defends the exemptions made, in respect of local taxation, in favor of the bonds and shares of other corporations that pay an annual tax into the State Treasury. It is quite sufficient, in respect of such matters, to say that this court has no function to deal with the considerations of public policy which control that commonwealth in the assessment of property for purposes of revenue. We have no duty beyond that of ascertaining the intention of Congress in its legislation, permitting the several States to tax the shares of institutions organized under National authority for the purpose of providing a National currency secured by United States bonds. If the principle of substantial equality of taxation under State authority, as between capital so invested, and other moneyed capital in the hands of individual citizens, however invested, operates to disturb the peculiar policy of some of the States in respect of revenue derived from taxation, the remedy therefor is with another department of the Government, and does not belong to this court.

We are of opinion that upon the allegations of the bill the defendants should have been put to their answer. The facts may then disclose a case quite different from that made by the bill. What we have said relates to the case as now presented.

The judgment must, therefore, be reversed, and the cause remanded for further proceedings not inconsistent with this opinion.

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**GAMBLING SUIT.**—A suit of interest to brokers and speculators was recently decided in the United States Circuit Court at Cleveland. Higgins & Gilbert, Chicago brokers, sued James McCrea, of Cleveland, for \$32,000, claimed to be due on a pork and lard deal. The brokers bought nearly \$200,000 worth of mess pork and tierce lard for McCrea, in May, 1883, for August delivery. The produce was sold August 1, no instructions having been received from McCrea, at loss of \$32,000. The brokers sued to recover that amount. McCrea answered that he had paid the firm \$19,000, and as it was a gambling deal, he asked for judgment in that amount with interest. The jury awarded him \$22,000.

## ECONOMIC NOTES.

## GOLD MINING IN NOVA SCOTIA.

The ownership of all mining claims is retained by the crown, but persons wishing to work them can lease as many unoccupied areas as they please for twenty-one years, with option of renewal on the payment of two dollars for each area, and a royalty of 2 per cent. on all gold extracted. Each area consists of 150 feet along the lode and 250 feet across, upon which a certain amount of work must be done, which by recent law is reduced from one hundred to forty days' work for each area every year. Any person erecting in a district the first mill, having at least 8 stamps, and being at least ten miles from any other mill, is entitled to a lease of ten acres, free from entrance-payment and from royalty, for twenty-one years. A record must be kept and filed every quarter at the office of the Commissioner of Mines, of the total number of days' work done on the areas, and a monthly statement of the number of tons crushed, and the actual yield of gold.

Gold mining in Nova Scotia began with the finding of the nugget of gold in a brook at Tangier in 1858. The following table taken from the official report† gives the total yield, with the number of tons of ore crushed since 1862, in which year statistics were first collected:

Year.	Total Ounces of Gold Extracted.			Ore Crushed.		Yield per Ton.		
	Os.	Dwt.	Gr.	Tons.	Os.	Dwt.	Gr.	
1862....	7,275	..	—	....	6,473	....	1 .. 2 .. 11	
1863....	14,001	..	14 .. 17	....	17,002	....	— .. 16 .. 11	
1864....	20,022	..	18 .. 13	....	21,434	....	— .. 18 .. 16	
1865....	25,454	..	4 .. 8	....	24,423	....	1 .. 0 .. 20	
1866....	25,204	..	13 .. 2	....	32,161	....	— .. 15 .. 2	
1867....	27,314	..	11 .. 11	....	31,386	....	— .. 17 .. 9	
1868....	20,541	..	6 .. 10	....	32,262	....	— .. 12 .. 17	
1869....	17,868	..	0 .. 19	....	35,147	....	— .. 10 .. 4	
1870....	19,866	..	5 .. 5	....	30,829	....	— .. 12 .. 21	
1871....	19,227	..	7 .. 4	....	30,791	....	— .. 12 .. 11	
1872....	13,094	..	17 .. 6	....	17,093	....	— .. 15 .. 7	
1873....	11,852	..	7 .. 19	....	17,708	....	— .. 13 .. 9	
1874....	9,140	..	13 .. 9	....	13,844	....	— .. 13 .. 5	
1875....	11,208	..	14 .. 19	....	14,810	....	— .. 15 .. 4	
1876....	12,038	..	13 .. 18	....	15,490	....	— .. 15 .. 13	
1877....	16,882	..	6 .. 1	....	17,369	....	— .. 19 .. 10	
1878....	12,577	..	1 .. 22	....	17,990	....	— .. 13 .. 23	
1879....	13,801	..	8 .. 10	....	15,936	....	— .. 17 .. 8	
1880....	13,234	..	0 .. 4	....	14,037	....	— .. 18 .. 20	
1881....	10,756	..	13 .. 2	....	15,556	....	— .. 12 .. 20	
1882....	14,107	..	3 .. 20	....	22,081	....	— .. 12 .. 18	
1883....	15,446	..	9 .. 23	....	25,954	....	— .. 10 .. 21	
Total..	350,916	..	13 .. 2	....	470,776	....	0 .. 14 .. 22	

—Extract from paper read by W. J. Pierce, before American Institute of Mining Engineers.

## TAXATION OF PERSONAL PROPERTY.

George G. Crocker, of Boston, delivered an address on the above subject recently in that city, and after showing that the assessors there were vigilant in performing their duties added that Mr. Hills, who was at the head of the assessors' department, was "obliged to admit that a large percentage of such personal property as had

been described escapes taxation. Perhaps we, the victims, can judge of the amount fully as accurately as the engineer. During the past year the estates of three persons who had deceased were brought to a law office in this city for settlement. One of those estates embraced a large amount of real estate, and only a small proportion of personal property. That estate had been taxed virtually for all that was taxable. The second estate had been taxed the year before the testator's death on \$3,000 worth of personal property, whereas it should have been taxed on \$155,000 worth of personal property, so that one-fiftieth only of that property had been caught in the machine. The third estate being the estate of a person living in one of the towns in the neighborhood of the city of Boston, had also been taxed the year before on \$3,000, whereas the amount of taxable property was over \$120,000. A very short time ago a rich resident of one of the neighboring towns died. He had been taxed for less than \$200,000 of personal property, but his personal estate has now been found to amount to about \$4,000,000, most of which is taxable. These examples might be multiplied indefinitely, and on inquiry it will be found that those of our citizens who are best able to judge, and who have given it careful thought, estimate that certainly more than one-half, and probably more than three-quarters, of such personal property as is made up of credits, whether secured or unsecured, and of personal property beyond the limits of the State, whether evidenced by certificates of stock or not, escapes taxation in the city of Boston. The value of stocks in corporations out of the State owned in Boston, as returned by the assessors, is \$32,000,000. Men who ought to know say that one hundred citizens can be selected who together hold more than that amount. The value of that portion of credits which is classified under the head of public stocks and securities is returned by the assessors as \$35,000,000, while men who have exceptional opportunities for knowing say that fifty men can be selected holding more than that amount. The rule, then, even in the city of Boston, is that such property escapes taxation. The exception is that it is taxed. The greater the amount of property which escapes, the heavier and the more unjust is the burden on those who pay in full. Outside of the city of Boston, it is well known that the proportion of such property which escapes is much larger than it is under the eagle eye and skillful management of our own unequaled chief engineer of assessment. He admits it and he bewails it."

#### *CENTS BY THE CAR LOAD.*

As it is well known, certain western and southern cities scorn to use any coin less than a nickel. When a newspaper corporation started a cheap evening paper in St. Louis, it bought and circulated in that city several barrels of cents. It would surprise the reader who has never investigated the matter, to learn how many cents have been coined. At the close of the fiscal year of 1881 the total coinage of cents equaled \$6,071,039.59. "You have no adequate idea what such a bulk of cents would be," said the cheerful statistician who imparted the facts. "Granting that they were all of the size now in use, although many of them were much larger, they would fill over 104 cars carrying twenty tons each." The first American cent was authorized to be coined by Congress on July 6, 1787. It was first coined by James Jarvis, of New Haven, Conn. The weight was 264 grains, which was reduced to 208 grains in 1793, and, being still too large, to 168 grains two years later. The coin-

age was discontinued in 1857, after \$1,562,887.44 worth had been made. In 1857 the nickel cent was first coined. It was smaller than the old-fashioned predecessor, weighing 72 grains, 88 per cent. of copper and 12 per cent. of nickel. In 1864 the coinage was discontinued after \$2,007,725 worth had been made. The bronze cent of the present day came into being in 1864, it weighed only 48 grains, of which 85 per cent. is copper, and five per cent. tin and zinc. The total amount coined at the end of the fiscal year ending June 30 was \$3,077,720. The grand total of all the cents coined up to the close of the fiscal year ending June 30, 1881, was \$6,071,039.59.

#### RUSSIAN PAPER MONEY.

Paper money constitutes the principal money circulating in the Russian Empire. The oldest standard of reckoning, the paper ruble, or ruble bank note, created by the law of December 29, 1768, and which, in virtue of the law of July 13, 1839, was exchanged for silver upon the fixed and invariable basis of seven rubles paper for two rubles silver, is now abolished. Foreign exchange which, during the reign of the Emperor Nicholas, was always very high, even above par, has suffered since the Crimean War a considerable depreciation. Russia finds herself now, in a monetary view, in very nearly the same situation as Austro-Hungary. Her last war with Turkey has aggravated this still more. The operation of gold mines in Russia, nevertheless, has given the good result of more than fifty millions per annum, but notwithstanding the measures taken by the Government to preserve these precious metals, they go abroad to be exchanged for those products which are not found in Russia. In order to replace these precious metals they have had recourse to the sad experience of paper money having a forced value, and called "bills of credit." Their issue is unlimited; during the last war they issued ten millions of *rubles* a week. In 1878 this circulation reached 900 millions of *rubles*; actually a thousand millions must be exceeded. Thus the bills of credit rapidly depreciated; from 3.50 fr. they fell to 3 fr., and have no more value to-day than 2.60 fr., representing 35 per cent. loss. Finally, in order to prevent too great an exportation of specie, an Imperial decree, issued November 22, 1876, made it a law that duties should be paid in gold coin. This measure causes a great increase in the protection given to indigenous products against similar products of foreign countries, but at the same time a new aggravation on account of the impost paid by consumers.

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LITTELL'S LIVING AGE.—The numbers of *The Living Age* for May 23d and 30th contain General Gordon's Life and Letters, *Quarterly*; The Ottoman Turks in Europe, *Westminster*; The American Loyalists, *Scottish*; Mr. Ruskin's Museum at Sheffield, *National*; Shakespeare's Fugues, *Fortnightly*; The Red Man, *Nineteenth Century*; Concerning some Strange Historic Doubts, *Leisure Hour*; The South African Salt Lakes, *Gentleman's*; The Youth of Prince Bismarck, *Temple Bar*; The Despised Sparrow, and How Persians Die and are Buried, *St. James'*; The Language of Signs, *Saturday Review*; Lady Beaconsfield, *St. Stephen's*; A Visit to the Amazons of Dahomey, *Pall Mall*; with instalments of "A House Divided Against Itself," "Macpherson's Love Story," "Osia's Wedding," "Fortune's Wheel," and "Mrs. Dymond," and poetry. For fifty-two numbers of sixty-four large pages each (or more than 3,300 pages a year) the subscription price (\$8) is low; while, for \$10 50, the publishers offer to send any one of the American \$4 monthlies or weeklies with *The Living Age* for a year, both postpaid. Littell & Co., Boston, are the publishers.



## A PLACE FOR BANKING CAPITAL.

*To the Editor of the BANKER'S MAGAZINE.*

Houston has a population of no less than 25,000. It is the chief railroad center of the State of Texas, ten different lines of railroad terminating within its limits. It boasts of several foundries, machine shops, and other manufacturing and industrial enterprises. It is the seat of a large and growing trade in groceries and agricultural products, and is now reckoned the best produce market in the State. As a cotton market the place has risen to a decided prominence, more rapidly even than in other branches of business. Yet, notwithstanding these various evidences of business activity and progress, Houston has no more banking facilities to-day than it had ten or fifteen years ago when her commerce did not attain to one-tenth the present volume. All her other branches of commercial activity have increased ten-fold except her banking facilities. These have remained stationary. There were two banks and a private banker in 1870, and there are two banks and a private banker now, identically the same in name, character and capital. True, a Savings bank has been established in the interval, and is in a flourishing condition, but, in the nature of things, a Savings bank is of but little, if any, assistance to a business community in facilitating business. This is a curious anomaly; for, in all other trade centers of any consequence in this State, banking capital and facilities have increased, not only in proportion with the increase of business, but in some instances have gone ahead of trade developments. Galveston, with only 35,000 inhabitants, has seven banks. Dallas, San Antonio and Fort Worth, all behind Houston in business importance, have six, five and five banks respectively. It is needless to say that banking capital and facilities in Houston are inadequate, and that a new bank, with a big round capital, or even two or three of them, would prove an excellent investment for stockholders, at the same time that they would prove a boon to the business community. As matters now stand, the banks doing business here can accommodate only a fraction of the business that is offered. The consequence is, that the most prominent business houses here are compelled to do their banking business in New York. Another class of customers, those borrowing on securities, are compelled to deal exclusively with local money lenders, who charge what interest they please and take no risk.

Under these circumstances, and with the amount of money in the country awaiting investment, it would seem that this is the time, as well as the place, to build up a safe and remunerative business. Capitalists wishing to invest money in a growing country, where money is worth something, would do well to compass the ground here, either in person or by correspondence. In the course of their investigations they would find other encouraging circumstances besides the facts stated above. They would find, for example, that no failures have occurred here in the wholesale grocery or produce business since 1873, and but few failures in other branches compared with the amount of business done. L.

## BOOK NOTICES.

*The Socialism of To-day.* By ÉMILE DE LAVELEYE; Translated into English by Goddard H. Orpen, together with an account of Socialism in England, by the Translator. London. 1885.

This is a deeply interesting work. Books on this subject have multiplied rapidly, both in the old world and in the new. Among us are the elaborate works of Noyes and Nordhoff, which appeared a few years ago, and more recently those of Shaw and Ely, beside numerous monographs. The work before us covers a wide field, and is as candid as it is thorough in its treatment of the subject. After an exceedingly well-written introductory chapter, containing a brief account of the progress of socialism, the author describes contemporary socialism in Germany, the forerunners of the doctrine, Fichte and Marlo, reviews the teachings of Rodbertus-Jagetzow, Minister of Agriculture in Prussia in 1848, after which the lives and writings of two familiar and interesting men are presented, Karl Marx and Lassalle. Marx is declared to be "beyond dispute, the most influential socialist writer in Germany"; but what made him a leader of European socialism was his founding and organizing of *The International*, an elaborate sketch of the rise and fall of which is given in this volume. In Germany, socialists are classified also as conservative, evangelical and catholic, and the teachings and aims of these classes are clearly set forth, beside those who occupy professional chairs in the universities. Nihilism, too, is not omitted in M. Laveleye's treatment of the subject. We have not seen anywhere so concise and well-informed account of Bakunin as may be found here. Elsewhere we have considered more fully a few of the points in this truly remarkable work.

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*United States Notes; a History of the Various Issues of Paper Money by the Government of the United States.* By JOHN JAY KNOX. Second edition revised. New York: Charles Scribner's Sons. 1885.

We are not surprised that a second edition of this valuable work is demanded. If persons will make the kind of books needed, and good ones, purchasers and readers will surely be found; and Mr. Knox has made a book of this kind. When the first edition appeared it was described in our pages, and nothing need be said now. It is the only book treating fully of the subject; it is accurate, and the style is good. The book is not so large as to weary; on the other hand, all the details which most readers will want are here given. It is destined to occupy a permanent place in the economic literature of our country. An edition, brought out in England, has been received with great favor by the press. The *Journal of the Institute of Bankers* has an article of nine pages upon the subject in the May number, and the London *Saturday Review* says:—"It is an interesting and comprehensive history of paper-money in America, in all its constitutional and abnormal phases. The author was formerly Comptroller of the Currency at Washington, and has executed his task with knowledge and skill."

## INQUIRIES OF CORRESPONDENTS.

ADDRESSED TO THE EDITOR OF THE BANKER'S MAGAZINE.

## I. PROTEST OF CHECKS.

We have two banks in this place, and on Saturday last our opponent presented a check at our counter about three o'clock, drawn on us, for payment. The account of the party was not good, and we declined paying it. About 3.30 the same day the party came and made his account good. I then sent a messenger to the other bank for the check, and he returned with it, saying that he was instructed to collect protest fees with it, as the check had been protested. All the above happened during banking hours. Had they a right to demand protest fees on same?

REPLY.—It is not distinctly stated in this inquiry whether the check was actually presented at the counter of the drawee by a notary. If it was so presented and the expenses of protest were actually incurred by the holder before the messenger was sent to pay the check, we think they might legally be recovered against the drawer of it. The case arises in this State, and whatever may be the rule of law elsewhere, we think it is settled here that although protest by a notary is unnecessary to hold the parties to an inland bill of exchange, check, or promissory note, still, if a notary is employed to protest, his fees may be recovered in a proper case. See *Merritt v. Benton*, 10 Wendell's Reports 116; Daniel on Negotiable Instruments, § 933. And this case appears to be within the rule. The check was dishonored when payment was refused, and was liable to be protested, and the drawer might have been sued upon it immediately, without waiting for the close of bank hours. According to the usage in New York City, we think that when the messenger went to the other bank with the money before the close of banking hours, they would have taken it without claiming protest fees, but in the absence of any usage, and assuming that protest fees had been actually incurred, we think the holder of this check was within its legal right in demanding their payment. Of course, if there had been no presentment by the notary, and the fees had not been actually incurred, the case would be different.

Whether the drawee bank should pay them without first consulting the drawer of the check is a matter of banking practice which we do not consider.

## II. AS TO THE DUTY OF A NOTARY WHO PROTESTS A NOTE TO GIVE NOTICE.

Will you please furnish through your Magazine an answer to the following:

A gives a note to B, who, having indorsed it, passes it to C; he, indorsing it, leaves it in bank for collection. At maturity it is protested. Is it obligatory upon the notary public to serve notice upon each indorser personally, or is it sufficient for him to serve notices upon the last indorser only, considering it the business of C to see that B receives proper notice? The parties to this transaction reside in the borough where the note is payable.

REPLY.—The notary, in giving notice of non-payment to the indorsers of a note in a case like this, acts merely as an agent for the bank which employs him, and his duty, in respect to the giving of notice, is not different from what the duty of the bank would be if it undertook to give notice itself. The bank was C's agent to collect the note, and the question is whether the duties of that agency have been performed in this instance. The law is thus stated in Daniel on Negotiable Instruments, § 331: "Sometimes a bank, holding indorsed paper for collection, sends notice, in the event of its dishonor, to the indorser from whom it was received. Sometimes it sends notices not only to him, but also to the drawer and to all the indorsers, addressed to their post offices, or delivered at their places of business respectively. Sometimes it encloses notices for all the parties entitled thereto under one envelope, in company with notice to the last indorser, that he may thus be conveniently supplied with the means of transmitting notice to the successive indorsers, and to the drawer antecedent to him, if such there be. But how far the duty of the bank extends in this regard, and what it must do to discharge itself of liability is a question upon which opinion had divided. The weight of authority, however, is strongly to the effect, and the law may be assumed to be, that it is only necessary for the bank to notify its immediate predecessor, that is, the party from whom it received the paper, no matter what may be the nature of the title or interest of that party in it." Morse takes the same view in his *Banking*, p. 400.

It appears from these authorities that the notary performed his full duty in this case.

SILVER COINAGE.—The action of the National Commercial Convention at its session in Atlanta, on the 21st of May, on the silver question, was very significant of the change that is going on through the South on this subject. The vote on the question "Does the public interest require the temporary suspension of the compulsory coinage of silver?" was as follows:

	Yeas.	Nays.		Yeas.	Nays.
Alabama.....	2	3	North Carolina.....	1	8
California.....	—	10	New York Board of Trade...	18	—
Connecticut.....	2	—	New Hampshire.....	2	—
Florida.....	5	—	New Jersey.....	2	—
Georgia.....	42	27	Ohio.....	65	2
Indiana.....	15	—	Pennsylvania.....	8	—
Illinois.....	38	—	South Carolina.....	11	—
Kentucky.....	15	—	Tennessee.....	14	8
Kansas.....	4	5	Texas.....	5	—
New Orleans.....	1	—	Virginia.....	2	7
Missouri.....	35	36	District of Columbia.....	2	—
Michigan.....	2	—	National delegates.....	4	1
Total.....				297	107

WENDELL PHILLIPS' INVESTMENTS.—Wendell Phillips was for a long time, perhaps, the leading greenbacker in the country, and it was always added that he was rich, too. Now that they figure up his estate it comes to about \$8,000, of which \$4,000 is in real estate. His personal property has shrunk to \$4,000 through his crazy investment of tens of thousands in all sorts of wildcat concerns. And it is worthy of note in the case of one who held that paper was worth as much as metal, that nearly all of his worthless stuff is the stock of mining companies. He really lost his money in pursuit of what he contended we could get along without.

## BANKING AND FINANCIAL ITEMS.

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**OMAHA NATIONAL BANK.**—This flourishing institution has lately added to its management, as vice-president, the late United States Treasurer, A. U. Wyman. Indeed, Mr. Wyman resigned his office at Washington in order to accept his present situation. If Mr. Wyman had chosen to stay, it is reported on the best authority, Secretary Manning and the President would have been well satisfied. They did not wish to disturb the Treasurer's office, as they found it in perfect condition. Treasurer Wyman entered the Treasury Department in April, 1863, as a \$1,200 clerk, and was gradually promoted through all the grades of clerkships, chief of division, assistant cashier, and became assistant treasurer in 1875. In 1876 he became Treasurer, and in 1877 resigned, on account of ill health, and resumed the duties of assistant treasurer. On April 1, 1883, he was again appointed Treasurer, and has since continued in this capacity. His administration of the office, in which he was personally responsible for the safe keeping of all the Government's money, and the accurate payment of all its warrants, was able, honest and efficient. He retired from public life with the respect and esteem of everybody who knew him. The Omaha National Bank is to be congratulated in securing an officer possessing such a truly enviable reputation.

**HOW A BANK WAS ROBBED.**—John A. Van Gelder, late receiving teller of the Union National Bank of New York, whose defalcations have just come to light, show that they have been going on for ten years, though the entire amount taken is only about \$33,000. He had been stealing about \$1,000 at a time, at long intervals, since 1874, and that his peculations amounted altogether to \$33,000. His method had been to abstract the money when it was deposited, make the proper credit upon the depositor's pass-book, and even it up by making a false debit upon the books of the bank. Then he kept watch of this account, and when the pass-books were balanced at the end of each month he made a false credit upon some other account to balance the theft. His last theft was May 2, when he credited a deposit of \$71,623.83 with only \$68,000, and kept the balance. The bank does a business of from \$7,000,000 to \$8,000,000 daily, and so the small amounts the teller took were never missed. President Male says that the robberies could not have been accomplished if depositors had not been careless about leaving their pass-books at the bank, and only looking them over when the monthly balance was drawn up.

**INVESTMENT OF SAVINGS BANK FUNDS.**—Attorney-General O'Brien has rendered an important opinion relative to the right of Savings banks in New York to invest their funds in bonds issued by the State of Indiana. Under a law passed in 1875 Savings banks are permitted to invest in the stocks or bonds of any State in the Union that has not within 10 years previous to the making of the investment defaulted in the payment of any part of principal or interest of any lawful debt. In 1846 the money raised by taxation in Indiana was not sufficient to pay in full the interest on its outstanding bonds. The Legislature in that year provided that holders of these bonds might surrender them to the State and receive in their stead new certificates of stock, redeemable, at the pleasure of the State, after 20 years. Under subsequent legislation the bondholders voluntarily became possessed of two bonds or certificates in place of the original bonds. One of these was the obligation of the State itself, while payment of the other was shifted upon the Wabash and Erie Canal, its property, tolls and revenues. These latter certificates have not been paid, and the canal has been sold under foreclosure, leaving a large deficiency in the sum necessary to pay the outstanding certificates. Attorney-General O'Brien decides that this does not constitute a default on the part of the State of Indiana, and that New York Savings banks may therefore invest in Indiana bonds.

BENJAMIN BORDEN SHERMAN, who for many years was President of the Mechanics' National Bank of New York, was born in Eatontown, N. J., in 1810. He went to work while a boy as a clerk in a village store at that place, and acquired an education in his leisure hours. In 1830 he came to New York, and became a clerk in the grocery store of C. N. O. Wardell, which subsequently became the house of Wardell & McCoon. Afterwards he engaged in the sugar refining business, and during this stage of his career Mr. Sherman became vice-president of the Merchants' National Bank, but he resigned that office in 1872 to become president of the Mechanics' National Bank, a position which he held until December, 1882, when he was prostrated by a stroke of apoplexy. He has not been in active business since, although he remained up to his death a director in both the Merchants' and Mechanics' Banks. He was also a trustee of the Mutual Life Insurance Co., the Royal Insurance Co., the Bleecker Street Savings Bank, and was connected with many charitable institutions.

PAUL BREMOND, for many years a prominent citizen of Houston, Texas, died suddenly in Galveston, May 8, while on a visit to a friend in that city. Mr. Bremond was 74 years old, and came to Texas when a young man. He located at Houston, where for many years he was a successful merchant and afterwards banker. He was the first projector of the line now known as the Houston & Texas Central, and was for a long time president of the company, contributing very largely from his own hands towards the building of the road. After his retirement from the presidency, he remained for several years a director and took an active part in the management. After finally withdrawing from that company he commenced the construction of the Houston, East & West Texas, which was built largely with money furnished by him, and in which he held nearly all the stock. He pushed the road forward gradually, and it will soon be in operation from Houston to Shreveport. Mr. Bremond was very active for a man of his age. His fortune is estimated at over \$2,000,000.

PERSONAL.—Edward Parsons, of New York, recently lost a package of bonds valued at \$9,000, and that on its being found and restored to him paid the finder \$20. Mr. Parsons is quite well known in Savannah. He was in business in this city soon after the war, and bought up all the notes of the old Merchants and Planters' Bank, issued during the war, upon which he could lay his hands, it is alleged, for about 2 or 3 cents on the dollar. His object in doing this was that he learned that the stockholders of this bank—of which Mr. Hiram Roberts was president—were personally liable for its notes, and having secured the notes, he sued the stockholders and recovered judgment and costs, thus realizing 100 cents on the dollar. Among the sufferers were Dr. W. W. Lincoln, Messrs. Joseph Weed, J. V. Connerat, John Cooper, R. Stafford, of Cumberland Island, and others. He made a very nice sum by this speculation.—*Savannah Times*.

UNION DIME SAVINGS BANK OF BROOKLYN.—This institution has removed into its new building. Starting on a small basis a quarter of a century ago, by good management, the bank had in six years enough capital at its command to occupy the quarters just vacated, where for nearly a score of years it pursued its way alongside the other financial institutions of the city. Having outgrown these quarters, the corner of Court and Remsen Streets, then occupied by a theater, was selected as a site for a new building, where one of the finest and most appropriate buildings in the city has been erected. In height and in general appearance it corresponds well with the City Hall, in line with the front of which it stands. It is fitting that alongside of the seat of government in this city of homes and churches should stand a building devoted to purposes of rendering these homes secure. This handsome edifice is a substantial proof of the prosperity of the institution, but the \$12,000,000 worth of securities put into it show still more forcibly the strength of its vigorous growth.

CONNECTICUT.—A new three-per-cent. twenty-five-year loan of the State, amounting to \$1,740,000, has been awarded to George K. Sistare's Sons and Vermilye & Co., of New York, who bid par and 876-1000. One would conclude, either that the State was very poor or very fond of paying interest-money to make a loan for so small an amount payable twenty-five years hence.

BANKS RENEWING THEIR CHARTERS.—A. B. Mygatt, United States Bank Examiner for Connecticut and Rhode Island, has made expeditious and thorough work in his examination of the 104 National banks in the two States whose charters expire in 1885. He has examined all but thirteen. All but six—four in Connecticut and two in Rhode Island—will remain in the system and renew their charters for twenty years. Those going out in Connecticut are the City Bank of Hartford, whose charter expires June 9, and it will resume its old charter as a State bank. The Tolland County Bank, whose charter expires June 6, will go into voluntary liquidation, and as the stock is worth more than par, more than the capital in full will be returned to the stockholders. The Shetucket Bank, of Norwich, whose charter expires June 12, will go into voluntary liquidation, as it was badly damaged by the defalcation of two of its officers and by bad debts, but the stockholders will get something. The Merchants' Bank, of Norwich, whose charter expires June 22, will renew its charter with its capital reduced from \$300,000 to \$100,000. The Saybrook Bank, whose charter expired February 20, has resumed its charter as a State bank. In Rhode Island all the National charters will be renewed, excepting the Coventry Bank, at Anthony, and the Cumberland Bank. Both are in sound condition, with more than enough to make the stockholders good; but they will retire, because there is not sufficient business in their localities to make it an object to continue. It is understood that Mr. Mygatt will be continued in the office he has filled with great acceptance by the present Administration. Indeed, there is no candidate against him, and he is indorsed by leading men in both parties. He has paid strict attention to his business, and no objection can be raised against him on partisan grounds.

ILLINOIS.—Illinois has no debt. Previous to the adoption of the constitution of 1848 it had a heavy load of liabilities, but that instrument provided for a perpetual tax of two mills. By 1870 the debt was practically paid, and the tax provision was left out of the revised constitution adopted that year. After the Chicago fire the State took off the hands of that city the Illinois & Michigan Canal, on which it had a lien for deepening it. This, of course, involved the State in some liabilities, but the charter of the Illinois Central railroad provides that it shall pay to the State 7 per cent. of the gross earnings on its original line in Illinois per year, and that has gradually extinguished the debt.

CHICAGO.—The western metropolis has a new financial institution in the Chicago Trust and Savings Bank, at 120 La Salle Street, with a paid-in capital of \$250,000, and an additional liability of stockholders to an equal amount. Mr. D. H. Tolman is president, Mr. J. W. Butler, vice-president, and Mr. Seymour Walton, cashier. Its officers and directors are well and favorably known, and the new bank will undoubtedly enjoy a prosperous career.

KANSAS CITY, MO.—Mr. P. E. Chappell, late Treasurer of the State of Missouri, and formerly connected with the Exchange Bank of Jefferson City, has recently been appointed cashier of the Citizens' National Bank of Kansas City. Mr. Chappell has had long experience as a banker, and the Citizens' National Bank is to be congratulated on securing him for a cashier.

The finest, though not the largest, bank building in the United States is said to be located in Kansas City, and was erected and is occupied by the Bank of Commerce.

St. Joseph, Mo.—One of the most prosperous and solid of the Missouri Banks is the State Savings Bank of St. Joseph. The confidence of the community in the ability of its management is the best evidence that its prosperity is of a permanent character. Its officers deserve the great success and encouragement which they enjoy.

**FALSE REPRESENTATIONS BY DIRECTORS AS TO SOLVENCY OF BANK.**—C sued A C, who was a director in the Pacific Bank, of Boston, which was afterwards shown to be insolvent, to recover damages for depreciation in the value of shares bought and loss of deposits made, C alleging that he had bought the stock and made the deposits upon the false representations made to him by A C as to the solvency of the bank, and that he relied on these representations. In this case (*Cole v. Cassidy*) the court charged the jury: "The plaintiff can recover if the defendant represented as an existing fact that the bank was sound, and that he was thereby induced to buy the stock and make the deposits, when he, the defendant, knew that the bank was not sound or could have ascertained its condition from the means readily accessible to him, and that he was liable, though he believed, or had reasonable cause to believe, that his representations were true." The plaintiff was defeated, and carried the case to the Supreme Judicial Court of Massachusetts, where the exceptions taken by him to the charge were overruled. The Chief Justice (Morton), in the opinion, said: "These instructions are in accordance with the established rules that to maintain an action of deceit the plaintiff must prove representations of natural facts which are false, and which induce him to act, and either that the defendant knew them to be false, or that the facts, being facts susceptible of knowledge, he represented as of his own knowledge that they were true, when, in fact, he had no such knowledge. The request of the plaintiff was in substance covered by the instructions given, as they necessarily imply that if untrue representations were made by the defendant, as of his own knowledge, it was not necessary for the plaintiff to prove that they were made with intent to deceive. We are, therefore, of opinion that the plaintiff has no ground of complaint."

**MINNEAPOLIS, MINN.**—The handsome new building of the Minnesota Loan and Trust Company, at Minneapolis, now in course of completion, and to cost, with the safety deposit vaults, about \$200,000, is not the least imposing structure in a city remarkable for the number of fine edifices which it boasts. The new building is arranged for offices to be occupied by other tenants than the Trust Company, and, taken altogether, it is an ornament and a credit to the magnificent prosperous city in which it is located.

*Minneapolis.*—We note that the First National Bank of Minneapolis will, on July 1st, increase its paid-up capital to \$1,000,000; the addition of \$400,000 is already subscribed and paid for.

**COL. SHOCK**, President of the Columbia National Bank, of Pennsylvania, celebrated his eighty-eighth birthday anniversary on Thursday, May 28. He was born in Harrisburg, May 28, 1797. He is remarkably vigorous and active. He attends personally to all the duties of his office, which involves a large correspondence and much other labor, devoting from eight to ten hours a day to the interests and work of the bank. The law requires the president and cashier to sign every note issued, and as recent as the present month the Colonel has been known to write his name at the rate of seventeen a minute for an hour at a time. He devotes much time to reading, and his mental faculties are as bright and as strong as ever. He is certainly a remarkable man.

**RUSSIA.**—The debt of Russia, as stated in the Year Book for 1885, is as follows:

Foreign loans, interest from 3 to 5½ per cent.....	\$ 1,015,950,000
Domestic loans.....	1,332,550,000
Forced loans on paper currency.....	578,000,000
Railway debt.....	750,000,000
Total.....	\$ 3,640,000,000

The foreign loans of Russia were issued at a ruinous discount, that of 1882 bringing but 55 per cent. of its face, and previous issues being taken at from 61 to 75 per cent. of their face.



## NEW BANKS, BANKERS, AND SAVINGS BANKS.

*(Monthly List, continued from May No., page 869.)*

<i>State.</i>	<i>Place and Capital.</i>	<i>Bank or Banker.</i>	<i>Cashier and N. Y. Correspondent.</i>
ARIZ...	Prescott.....	Bank of Prescott.....	Wells, Fargo & Co.
		Thos. J. Butler, <i>Pr.</i>	Alfred Eoff, <i>Cas.</i>
ARK....	Bentonville.....	Benton County Bank.....	
	\$20,000	J. Black, <i>Pr.</i>	S. F. Stahl, <i>Cas.</i>
CAL....	San Jose.....	Safe Deposit Bank.....	Eugene Kelly & Co.
	\$300,000	M. Malarin, <i>Pr.</i>	J. E. Auzeais, <i>Cas.</i>
DAK....	Minto.....	Bank of Minto.....	Gilman, Son & Co.
		John H. Merrifield, <i>Pr.</i>	M. S. Titus, <i>Cas.</i>
"	Pukwana.....	Bank of Pukwana.....	
	\$10,000	E. B. Taft, <i>Pr.</i>	Jas. E. Jenkins, <i>Cas.</i>
FLA....	Orlando.....	Orange County Bank.....	
	\$25,000		C. A. Haley, <i>Cas.</i>
ILL....	Sandwich.....	Sedgwick's Bank.....	Third National Bank
	\$50,000	W. W. Sedgwick, <i>Pr.</i>	S. P. Sedgwick, <i>Cas.</i>
IND....	Franklin.....	Franklin National Bank ..	Ninth National Bank.
	\$100,000	John T. Vawter, <i>Pr.</i>	E. C. Miller, <i>Cas.</i>
IOWA..	Keokuk.....	State Bank.....	Fourth National Bank.
	\$50,000	A. Hosmer, <i>Pr.</i>	A. Bridgman, Jr., <i>Cas.</i>
KANSAS.	Attica.....	People's Bank (Slayback, Rankin & Nelson).	Kountze Bros.
"	Brookville.....	Bank of Brookville.....	Kountze Bros.
	\$12,000	M. M. Padden, <i>Pr.</i>	I. Ebert, <i>Cas.</i>
"	Chetopa.....	Neosho Val. Invest. Co..	Chemical National Bank.
	\$18,000	J. B. Cook, <i>Pr.</i>	L. M. Redell, <i>Tr.</i>
"	Downs.....	Citizens' Bank.....	Ninth National Bank.
	\$15,000	E. M. Jones, <i>Pr.</i>	F. E. Hoover, <i>Cas.</i>
"	Erie.....	City Bank.....	Corbin Banking Co.
		H. W. Church, <i>Pr.</i>	A. D. Grove, <i>Cas.</i>
"	Garden City....	Finney Co. Bank.....	
"	Greensburg....	Greensburg Bank.....	
"	Lincoln.....	Farm. & Merch. Bank....	Continental National Bank.
	\$12,500	Jos. T. Smith, <i>Pr.</i>	E. W. McJunkin, <i>Cas.</i>
"	Morrill.....	Farmers' Bank.....	American Exchange Nat'l Bank.
		Chas. H. Janes, <i>Pr.</i>	L. Hesselstine, <i>Cas.</i>
"	Spearville.....	Bank of Spearville.....	
"	Wa Keeney.....	Trego Co. Bank.....	
"	Washington....	Stackpole & Tobey.....	
MASS...	Somerville.....	Somerville Sav'gs Bank..	
		Oren S. Knapp, <i>Pr.</i>	Frederick W. Stone, <i>Tr.</i>
MICH...	Detroit.....	Mills' Real Estate Sec. B'k.	Bank of North America.
		Carlton H. Mills, <i>Pr.</i>	C. W. Trowbridge, <i>Cas.</i>
MINN...	Alexandria....	Douglas Co. Bank.....	American Exchange Nat'l Bank.
	\$18,000	Jos. U. Barnes, <i>Pr.</i>	H. A. Barnes, <i>Cas.</i>
"	Melrose.....	Bank of Melrose.....	Imp. & Traders' National Bank.
			C. D. Lord, <i>Cas.</i>
"	Minneapolis....	Northwestern Coll: L. & F. Ass'n.	National Park Bank.
	\$500,000	Edgar F. Pierce, <i>Pr.</i>	Walter J. Ballard, <i>Cas.</i>
MO....	Bolivar.....	Bank of Bolivar.....	
	\$10,000	D. W. Faulkner, <i>Pr.</i>	W. L. Snodgrass, <i>Cas.</i>
"	Kansas City....	Cox & Coppinger.....	Kountze Bros.
NEB....	Gordon.....	Maverick B. (Irwin, Garver & Work).	Kountze Bros.
"	North Auburn..	First National Bank.....	Kountze Bros.
	\$50,000	F. W. Samuelson, <i>Pr.</i>	D. J. Wood, <i>Cas.</i>
"	Ord.....	First National Bank.....	Kountze Bros.
	\$50,000	Herman A. Babcock, <i>Pr.</i>	Geo. A. Percival, <i>Cas.</i>
"	Orleans.....	First National Bank.....	Chemical National Bank.
	\$50,000	Geo. W. Burton, <i>Pr.</i>	A. E. Harvey, <i>Cas.</i>
"	Stratton.....	Bank of Stratton.....	Gilman, Son & Co.
"	Wakefield.....	Farm. & Trad. B'k (Shaw & Guernsey).	
"	West Point.....	West Point Nat'l B'k.....	Kountze Bros.
	\$50,000	William Stuefer, <i>Pr.</i>	Neils Larsen, <i>Cas.</i>
TENN...	Athens.....	First National Bank.....	Hanover National Bank.
	\$50,000	J. M. Henderson, <i>Pr.</i>	Robert J. Fisher, <i>Cas.</i>
TEX....	Cameron.....	Milam Co. B'k (Crawford, Arnold & Crawford.)	S. M. Swenson & Sons.
"	San Marcos....	Nat'l B'k of San Marcos..	S. M. Swenson & Sons.
	\$50,000	Daniel A. Glover, <i>Pr.</i>	Tom. H. Glover, <i>Cas.</i>

## CHANGES OF PRESIDENT AND CASHIER.

(Monthly List, continued from May No., page 871.)

<i>Bank and place.</i>	<i>Elected.</i>	<i>In place of</i>
N. Y. CITY.—Union National Bank....	W. T. Cornell, <i>Ass't Cas.</i>	.....
CAL.... First Nat'l Bank, Fresno.....	Wm. Faymonville, <i>V. Pr.</i>	.....
" Bank of Healdsburg.....	John W. Wilson, <i>A. C.</i>	.....
" First Nat'l Bank, Modesto.....	Robert McHenry, <i>Pr.</i>	H. H. Hewlett.
COL.... German Nat'l Bank, Denver....	F. C. Kilham, <i>Ass't Cas.</i>	.....
" .. First Nat'l Bank, Silverton....	Jos. A. Thatcher, <i>V. Pr.</i>	J. N. Maugham.
CONN.... Second Nat'l Bank, Norwich....	I. L. Peck, <i>Cas.</i>	E. A. Tracy.
" .. First Nat'l Bank, Portland.....	Henry Gildersleeve, <i>Pr.</i>	W. W. Coe.*
DAK.... Beadle Co. Nat'l Bank, {	I. N. Perry, <i>Pr.</i>	T. M. Jeffris.
Huron. {	H. Kerr, <i>V. Pr.</i>	L. H. Starkey.
	Edward Crist, <i>Cas.</i>	C. E. Byrant.
GA.... Merchants' Bank, Atlanta.....	R. M. Farrar, <i>Cas.</i>	W. D. Luckie.*
ILL.... First Nat'l Bank, Canton.....	F. W. Hulit, <i>Cas.</i>	W. Babcock, Jr.
" .. Commercial National Bank, {	S. H. Thompson, <i>V. Pr.</i>	G. T. Barker.
Peoria. {	H. B. Dox, <i>Cas.</i>	H. P. Ayres.
IND.... Franklin National Bank, {	Thos. B. Wood, <i>V. Pr.</i>	.....
Franklin. {	R. T. Overstreet, <i>A. C.</i>	.....
IOWA.... Centerville National Bank, {	Jos. Goss, <i>V. Pr.</i>	J. A. Talbot.
Centerville. {	J. C. Bevington, <i>Cas.</i>	W. L. Selby.
" .. First Nat'l B'k, Emmetsburgh..	A. N. Eddy, <i>V. Pr.</i>	.....
KAN.... First Nat'l Bank, Frankfort....	R. B. Upham, <i>Ass't Cas.</i>	.....
" .. First Nat'l B'k, Hiawatha.....	Chas. P. Waste, <i>Cas.</i>	S. A. Fulton.
" .. Leavenworth N. B., Leavenworth	Edward Carroll, <i>Cas.</i>	C. Cunningham.
" .. First Nat'l Bank, Marysville....	S. A. Fulton, <i>Pr.</i>	M. S. Smalley.
" .. First National Bank, Peabody..	W. D. Butler, <i>V. Pr.</i>	H. Stephens.
" .. First Nat'l Bank, Washington.	O. S. Long, <i>Ass't Cas.</i>	.....
" .. Washington Nat'l Bank, {	P. F. Brown, <i>Pr.</i>	.....
Washington. {	Stephen Pickard, <i>V. Pr.</i>	T. Haak.
	T. H. Eves, <i>Ass't Cas.</i>	.....
KY.... Farmers' Nat'l B'k, Cynthiana. Paul King, <i>Cas.</i>	.....	L. Van Hook.
MD.... Centreville, N. B., Centreville. J. F. Rolph, <i>Cas.</i>	.....	J. J. Hall.
MASS.... Mechanics' National Bank, {	Renj. B. Converse, <i>V. Pr.</i>	.....
Boston. {	C. O. L. Dillaway, <i>A. C.</i>	.....
" .. Old Boston N. B., Boston.....	T. F. Pratt, <i>Ass't Cas.</i>	.....
" .. Leicester Nat'l Bank, Leicester. Geo. H. Sprague, <i>Cas.</i>	.....	David E. Merriam.
" .. National Bank of Wareham... E. A. Gammons, <i>Cas.</i>	.....	T. R. Miles.
MICH.... First National Bank, {	E. A. Smith, <i>Pr.</i>	J. W. McGinn.
Cheboygan. {	Chas. R. Smith, <i>V. Pr.</i>	W. McArthur.
" .. National Bank of Houghton....	Jos. H. Seager, <i>V. Pr.</i>	.....
" .. First Nat'l Bank, Kalamazoo... Latham Hull, <i>Actg Pr.</i>	.....	R. S. Babcock.*
" .. Kalamazoo N. B., Kalamazoo. T. S. Cobb, <i>Cas.</i>	.....	Geo. T. Bruen.
" .. First National Bank, {	Wm. S. Hopkins, <i>Pr.</i>	D. Sheldon.
St. Clair. {	C. B. Waterloo, <i>Cas.</i>	J. C. Clarke.
MINN.... N. B. of Commerce, Minneapolis E. A. Harman, <i>V. Pr.</i>	.....	V. G. Hush.
MISS.... Capital State B'k, Jackson.....	B. W. Griffith, <i>Cas.</i>	W. H. Perkins.
" .. First National B'k, Jackson....	Sam'l S. Carter, <i>V. Pr.</i>	.....
MO.... Citizens' N. B., Kansas City... P. E. Chappell, <i>Cas.</i>	.....	A. A. Whipple.
" .. First Nat'l Bank, Mexico.....	G. B. Macfarlane, <i>V. Pr.</i>	B. R. Canthorn.
" .. Laclède Bank, St. Louis.....	L. C. Nelson, <i>V. Pr.</i>	D. R. Francis.
" .. First Nat'l Bank, Sedalia....	A. D. Jaynes, <i>V. Pr.</i>	.....
NEB.... First National Bank, {	N. R. Persinger, <i>Pr.</i>	J. E. Lucas.
Central City. {	F. M. Persinger, <i>Cas.</i>	J. J. Chadwick.
" .. Kearney National Bank, {	J. J. Bartlett, <i>Pr.</i>	L. R. More.*
Kearney. {	W. A. Downing, <i>V. Pr.</i>	J. J. Bartlett.

\* Deceased.

	<i>Bank and Place.</i>	<i>Elected.</i>	<i>In place of</i>
NEB....	Capital Nat'l Bank, Lincoln....	H. J. Walsh, <i>V. Pr.</i> .....	C. W. Marsh.
" ..	St. Paul N. B., St. Paul.....	A. G. Kendall, <i>V. Pr.</i> .....	G. W. Post.
" ..	West Point N. B., West Point.	Otto Baumann, <i>V. Pr.</i> ....	.....
N. J....	Salem Nat'l Bkg. Co., Salem..	Wyatt W. Miller, <i>Pr.</i> ....	C. M. Eakin.*
N. Y....	First Nat'l Bank, Brewsters....	Chas. Denton, <i>Pr.</i> .....	J. G. Borden.
" ..	National Bank of Fayetteville .	O. D. Blanchard, <i>Pr.</i> ....	B. R. Palmer.
" ..	Merch. & Mfrs. Nat'l B'k, { Middletown. }	W. M. Murray, <i>V. Pr.</i> ....	.....
" ..	Stissing Nat'l B'k, Pine Plains.	W. Bostwick, <i>Cas.</i> .....	F. Bostwick.
" ..	First National Bank, Salem....	Jas. Gibson, <i>V. Pr.</i> .....	.....
" ..	Exch. Nat'l B'k, Seneca Falls..	Jas. H. Gould, <i>V. Pr.</i> ....	.....
OHIO...	Painesville Nat'l B'k, Painesville	I. P. Axtell, <i>Pr.</i> .....	L. Kerr.*
" ..	Steubenville N. B., Steubenville.	David McGowan, <i>V. Pr.</i> ....	.....
PA.....	Allentown National Bank, { Allentown. }	C. W. Cooper, <i>Pr.</i> .....	E. Rehrig.*
" ..	Elizabethtown Nat'l Bank, { Elizabethtown. }	C. M. W. Keck, <i>Cas.</i> ....	C. W. Cooper.
" ..	First Nat'l B'k, McKeesport....	Jacob Dyer, <i>V. Pr.</i> .....	.....
" ..	First Nat'l B'k, McKeesport....	H. B. Sinclair, <i>Pr.</i> .....	W. Whigham.*
TEX....	Abilene National Bank, { Abilene. }	Wm. Cameron, <i>V. Pr.</i> ....	.....
" ..	Abilene. }	J. C. Lackland, <i>A. C.</i> ....	.....
Utah...	Union N. B., Salt Lake City...	Mathew H. Walker, <i>V. P.</i> ....	.....

\* Deceased.

## OFFICIAL BULLETIN OF NEW NATIONAL BANKS.

(Continued from May No., page 871.)

<i>No.</i>	<i>Name and Place.</i>	<i>President.</i>	<i>Cashier.</i>	<i>Capital.</i>
3338	Franklin National Bank..... Franklin, IND.	John T. Vawter,	E. C. Miller,	\$100,000
3339	First National Bank..... Ord, NEB.	Herman A. Babcock,	Geo. A. Percival,	50,000
3340	West Point National Bank..... West Point, NEB.	William Stuefer,	Neils Larsen,	50,000
3341	First National Bank..... Athens, TENN.	J. M. Henderson,	Robert J. Fisher,	50,000
3342	First National Bank..... Orleans, NEB.	Geo. W. Burton,	A. E. Harvey,	50,000
3343	First National Bank..... North Auburn, NEB.	F. W. Samuelson,	D. J. Wood,	50,000
3344	National Bank of..... San Marcos, TEX.	Daniel A. Glover,	Tom H. Glover,	50,000

COUNTERFEITS—The States whose bills have been counterfeited are Vermont, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, Maryland, Ohio, Indiana, Illinois, Michigan and Wisconsin. Of these, New York has the largest number (fifty-three) or nearly fifty per cent. Illinois comes next with twelve. The finest counterfeits are a \$5 bill on the Merchants' National Bank of New Bedford, Mass.; a \$100 bill on the Pittsburgh National Bank of Commerce, the old \$50 greenback, and a \$10 Treasury note, series of 1875. Counterfeiting in America has been reduced to a practical science, and is the most completely organized system of rascality on earth. Its members include both sexes, all ages and nationalities. Counterfeit money frequently passes current for years, but in the end some one has to lose it, and it generally falls on those who are least able to bear the loss.

## CHANGES, DISSOLUTIONS, ETC.

*(Monthly List, continued from May No. page 872.)*

N. Y. CITY.....	Denslow & Herts dissolved; H. H. Herts continues.
" ..	Putnam & Earl; succeeded by E. S. Bisland & Co.
ARIZ... Prescott.....	First National Bank; succeeded by Bank of Prescott.
COL.... Kokomo.....	S. L. Morris & Co.; moved to Aspen, Col.
CONN... Norwich.....	Shetucket Nat'l Bank; has gone into voluntary liquidation.
DAK.... Minto.....	Forest River Bank; now Bank of Minto.
" .. Mitchell.....	Bank of Mitchell; suspended May 27.
" .. Sanborn.....	Barnes Co. Bank (E. M. Kiser); now J. A. Evans, prop.
" .. Woonsocket...	Citizens' B'k (Estee & Rock); now Sheldon & Rowley, prop.
GA..... Blakely.....	E. C. Bower; will discontinue business July 1.
ILL.... Camp Point...	Seaton & Wallace; now Richard A. Wallace.
" .. Sandwich.....	Culver Bros.; succeeded by Sedgwick's B'k (Sedgwick & Son).
" .. Saybrook.....	Reeves & Schureman; now Means, Schureman & Co.
IND.... Franklin.....	Franklin Bank; succeeded by Franklin National Bank.
" .. Thorntown...	First National Bank; closed.
IOWA... Keokuk.....	State National Bank; now State Bank.
KAN.... Lincoln .....	Bank of Lincoln Co.; succeeded by Farm. & Merch. Bank.
" .. Oxford.....	Oxford B'k (Allen, Cooley, & Co.); succeeded by Oxford B'k, incorporated.
MICH... Clinton.....	Exch. B'k (Alonzo Clark); now Van Tuyle & Smith, prop.
" .. Coopersville...	Conklin & Watson; now W. G. Watscn.
" .. St. Charles....	B'k of St. Charles (Coryell & Lemley); now B. G. Coryell, proprietor.
MINN... Minneapolis...	B'k of North Minneapolis; suc. by Farnsworth & Rau.
MO.... Jefferson City..	Fleming & Sears; now J. S. Fleming.
" .. Pleasant Hill...	Bank of Pleasant Hill; discontinued business.
NEB... Bassett .....	Farmers & Merchants' Bank; out of business.
" .. Burnett.....	Bank of Burnett (W. A. Edney); attached.
" .. Franklin.....	Bank of Franklin (Yard, Gage & Co.); now Yard & Gage, proprietors.
" .. North Auburn..	Bank of Auburn; now First National Bank.
" .. Ord .....	Ord City Bank; succeeded by First National Bank.
" .. Orleans.....	Harlan Co. Bank (Burton & Harvey); now First Nat'l B'k.
" .. Wakefield....	Security Bank; succeeded by Farm. & Traders' Bank.
" .. West Point....	West Point Bank; succeeded by West Point Nat'l Bank.
N. Y.... Dunkirk.....	Miners' Exchange Bank (J. Miner & Co.); closed May 5.
" .. Sodus Point....	S. J. Macy & Co.; retired from business.
OHIO... New Bremen...	Charles Boesel; succeeded by Boesel Bros. & Co.
PENN... Bradford.....	Dow, Fullagar & Colman; discontinued business.
" .. Philadelphia...	Shackamaxon Bank; suspended May 29.
" .. Renovo .....	Bank of Renovo (J. H. & A. W. Cook); now Kane & Voss, proprietors.
TENN... Athens .....	Bank of Athens; now First National Bank.
" .. Memphis .....	German National Bank; has gone into voluntary liquidation.
TEX... Abilene.....	Wm. Cameron & Co.; now Abilene National Bank.
" .. San Marcos....	G. A. Glover & Co.; succeeded by Nat'l B'k of San Marcos.
VT.... Swanton.....	National Union Bank; has gone into voluntary liquidation.
VA.... Franklin.....	Bank of Franklin; has resumed business.
WIS.... Prairie duChien	Exch. Bank (A. Denio); assigned May 23, to A. M. Beach.
" .. Superior.....	First National Bank; has gone into voluntary liquidation.
CANADA Brackbridge....	Muskoka Banking Co.; suspended.

FLUCTUATIONS OF THE NEW YORK STOCK EXCHANGE, MAY, 1885.

[illegible]

## NOTES ON THE MONEY MARKET.

## A FINANCIAL AND COMMERCIAL REVIEW.

Stagnation has characterized the month of May in almost every branch of trade. It was both midsummer dullness gone before, and midwinter business left behind. There has really been no spring trade this year. The last of the spring months has been almost as unseasonable as the other two, in which there were only two weeks of warm, pleasant weather. May has been more favorable for the crops, however, and agricultural pursuits have been forwarded sufficiently to give an average promise of a good harvest, and the possibility of a large one, with usually favorable weather and crop conditions for the summer months and early autumn. Winter wheat, of course, is excepted, as winter killing in the middle and southern belts has reduced the prospects below the outcome even of the short crop of 1881, with an estimated deficit, compared with the crop of 1884, of 125 to 150 millions of bushels. Otherwise there has been little or no damage to any of the crops, only they are generally two weeks late, both north and south, east and west. Vegetation, however, is now making wonderful progress.

Especially is this true of the smaller cereals, other spring crops, and grass, which grow most rapidly in the cool, moist weather we have had, while there has not been too much rain to interfere seriously anywhere with the planting of the warm weather or summer crops, such as corn, cotton and roots. It is the winter crops only that have yet received any damage, and these only where they were not covered with snow. Fruit is backward, but the budding and blossoming season was delayed by the uniformly cold weather until the snows in the north had disappeared, and the temperature became too mild to injure the earliest blooming trees and plants. An abundant fruit crop is therefore probable, and a heavy hay crop, as well as of the spring grains, and in the northern third of the winter grain belt. Corn is nearly all planted, and less than usual will probably require replanting, as the ground has not been wet enough to rot the seed, even if the weather has been too cold to sprout the plants; and, should replanting become necessary, good corn crops have been planted as late as the tenth of June. There has been less damage by floods, heavy rains and freshets, than usual this year, as the cold weather permitted the snows of the northern third of the crop belt to go away gradually. As to the acreage sown and planted this year, the general tendency is toward a decrease, in consequence of the present unremunerative prices for many of our most important crops. It is true that the cost of farm products has been as much reduced of late years by the introduction of labor-saving machines, as has that of the products of the mill, the factory and the forge. It is equally true that farmers will continue to produce the staple crops, even at present prices. But the point of over-production has been reached in wheat, under the unnatural stimulus of high prices and unusual foreign demand from 1878 to 1881, when Europe had three consecutive bad crops. This culminated last year, and the reaction

will begin with the crop of 1885, after which we shall see a falling off in the world's production of wheat, running the usual course of time in all agricultural revolutions, three to four years, when we shall no doubt reach the minimum production, as we have now the maximum. The same revolutions have occurred in our live-stock interests during the period from 1877 to 1885, and, in part, owing to the same causes. In 1877 beef and hog products reached the maximum production and the minimum prices for a quarter of a century at least. Farmers stopped raising pigs, "deaconed" their calves, sold their corn instead of feeding it, and went into grain raising and dairying, at the time when western dairy products first took rank with those of this State, at double former prices, and when wheat was selling at over \$1 per bushel at the farmer's door. As a result, beef and pork began to advance in 1879, and did not stop till 1882-3, when the equilibrium between supply and demand was destroyed, aided by the legislation against American meats on the Continent of Europe. Now we have the maximum production of live stock again, and prices have been receding from the maximum toward the minimum for three years. On January 1st we had 8,000,000 more sheep in the United States than in 1880, and 8,000,000 more cattle. There were 2,000,000 less hogs than in that prolific year, yet a large increase over last year and the year before. A prominent stock dealer lately said—"With average grass and corn crops this year, we will see lower prices for cattle and hogs than ever before in this country."

This increase in live stock shows why, with an equal increase in the production of corn and oats and root crops, with that of wheat, there has been little over-production, except of the latter. The enormous increase in feed for animals has been met by an equal increase in consumption; while the increase in consumption of human food is only about five per cent. per annum, with perhaps another five per cent. for the thirty-three per cent reduction in prices. Here is the explanation for the unexpected and unaccounted-for disappearance of our two last enormous corn, oat and hay crops; which, under the old rule should have reached minimum prices and over-production this year, after two big crops in succession. The bearing of the above upon the acreage of the different crops this year is of great importance, as effecting the prospective supply and values of the growing crops. Wheat is likely to be under-produced for two or three years to come. The world has a larger surplus of old crop than usual this year, which may prevent the effects of a reduced crop being fully felt before another year.

But corn is likely to be over-produced during the two years to come, if we have good crops, for low prices of live stock will drive farmers out of its excessive production, and reduce the consumption of corn and feed products just at the time when their production will have reached the maximum.

There is, however, an offset to this in the rapidly increasing exports of live stock from this country. We have been shipping an average of 6,000 live bees weekly this year, beside a large number of sheep to Great Britain. At this rate we export 312,000 head of heavy beef cattle per year. It takes 300 bushels of corn to raise a four-year-old bullock such as are shipped. This is equal to nearly 100 million bushels of corn exported in shape of live stock, or

equal to our average exports of corn, which are thus doubled and more, as until recently we shipped no live stock.

It is evident, therefore, that other food and feed crops must go through the same revolutions that wheat has been for three years past. It has now reached the end of its cycle of depression, although it will never be restored to the old level of \$1 per bushel to the farmer again, except on short crops or in times of war, for the cost has been so reduced that the large farmers in Dakota can raise spring wheat for 40c. @ 42c. per bushel when they get average good crops; and the winter wheat farmers of Missouri and Kansas can do the same at 70c. @ 75c. per bushel. These figures explain why the acreage of spring wheat has scarcely been reduced this year, even in the face of the present low prices, which, with the lowest freight rates on record, still pay the farmer a good profit.

This much space has been devoted to the crop prospects, because upon the next harvest almost every industry and the general revival of prosperity now depend in an unusual degree. Good crops mean prosperity to the great agricultural class, employment for transportation companies by water and rail, cheap food and better employment of labor, business for warehousemen and their employes, and the great army of middle men. A grain crop of four thousand million bushels gives double the work to get it to market that a crop of two thousand million bushels does, even if the farmer should receive as much money for the latter as the former, while it costs him no more to raise good crops than it does to raise poor ones. If favored with good crops, therefore, another year, our weak railroads may be saved from the ruin that stares them in the face as a result of their over-production and want of employment, and our solvent ones be enabled to resume dividends, renew their plant and rolling stock, thus setting in motion our iron and its allied industries, that are the pivot on which our manufacturing interests turn, from prosperity to depression and back again. On the crops and their movement also depends the money market, the condition of the banks, foreign exchange, the exports of gold, and our imports; so that the whole financial, commercial and industrial situation now rests on the coming harvest. Hence the stagnation of the past month, noted at the beginning of this review, and this premature, midsummer business paralysis, because everybody has folded his arms around his principal, clasped his hands about his cash, and prepared to go to Europe, or the country, or Coney Island, and do and spend as little as possible till fall. When this business nightmare shall have gone, the cholera scare disappeared, and the harvests have been secured, then everybody will come back and work to make up this lost time and the continued losses of the past few years.

For these reasons the dullest spring on record is likely to be succeeded by as dull a summer as we ever had. There is nothing else in the business situation that has not existed for months, and been explained time and again in this review. The markets for everything but railroad stocks and junior bonds are on a sound, hard, pan basis, as void of speculation and speculative influences as possible, where option trading is practiced. But they have little vitality, and the fluctuations are feeble and narrow, since the European war cloud blew over, for a time, as the bears scare easily and cover quickly, when short at these low prices. Yet the bulls are equally timid, as they dare not



wade far from the shore of legitimate demand into the sea of speculation, though it is a dead calm, for the very reason that there is not a wave on which they can ride ashore, but must paddle themselves back, and, meantime, "carry" the load and pay the charges, which count up faster than profits do. The stock market is only such in name, where the cliques make quotations from day to day, on which to borrow money, upon stocks they cannot sell, and which they are compelled to carry "till the next boom strikes the country and brings in a public to buy," which Wall Street has not seen in the last three years. Meantime the bull pools can only squeeze the bear cliques, when they get too large a lien of shorts out, and *vice versa* when outside holders unload on the bulls whenever they put prices up at all, as London and the Continent have been doing the past month, both in the Vanderbilts and the Grangers, the former in particular, being as badly in disfavor, on the other side, since dividends have stopped, as have been the Gould stocks.

The water transportation interests are having an equally hard time from over-production of ships and light exports. They, too, are struggling to keep out of bankruptcy, and some old steamship lines are consolidating.

The industrial interests are more depressed and less active than they were a month ago, and reduction of wages, or stoppage of work have been the alternatives presented to iron workers, coal miners, and the cotton mill operatives and owners. Compromises have generally been accepted by employers and employed, rather than stop operations and means of support; but it is hardly possible that a dull summer will be bridged over without further trouble. For stocks are accumulating in consequence of this stagnation in the distributive trade of the whole country, and this universal economy which keeps consumption at such low water mark, as shown by the *dernier resort* to auction sales to reduce these accumulations. The entire business outlook is therefore a blank till autumn. The bugbear of gold exports has been used to help bears in stocks, but it is not seriously regarded anymore. The bank surplus continues to accumulate still, with little prospect of any better demand for money till autumn, and banks are refusing to pay interest on deposits when they cannot employ a 60 million reserve.

This is a strange condition of things compared with a year ago, when they held less than two millions surplus. The bank statement still shows a continued decrease in loans and specie, the latter of gold, and there is reason to believe that the hoarding process has been continued, the beginning of which was noted last month, in expectation of gold exports. The action of the South at the meeting of the National convention of business men, during the month, against the continued coinage of debased silver dollars, was a happy surprise that promises a change in the silver policy, which we have discussed elsewhere.

The produce markets have been dull and drooping since the war stimulus of April was withdrawn by the "peace at any price" policy of Gladstone, which surprised even his bitterest opponents. The damage to winter wheat, however, was discovered just in time to save the bulls a Waterloo. As it was, they lost pretty severely on the "war bulge," and have mostly unloaded since. Still, wheat is regarded cheap, even at their prices, which represent the war advance. But England scoured the rest of the wheat coun-

tries, and bought their surplus while she was preparing for war. Hence she has now her future wants provided for, while the amount on passage belongs to her importers, and is sufficiently large to provide for her near wants, even if her stocks are lighter than a year ago; hence our light exports. Somebody, however, is likely to lose in No. 2 Red in this market before the next crop, as a Chicago and New York house has bought up the limited stock of that grade here and west, and has the East and also European shippers pretty largely short of June—it is estimated over five million bushels. A "corner" in that month is feared, for the great bulk of the big visible supply is No. 2 Spring, and held in Chicago, and which exporters do not want, except at less than its relative value compared with Red winter. If the bulls' theory is correct, prices are likely to be higher before going lower. They claim that from one-third to one-half more corn was fed, per head of live stock, the past winter, on account of its length and severity, than usual; and hence the light receipts and small visible supply for the largest crop ever raised. It is also true that we began feeding this crop as soon as it was matured last Fall, because the old crop was practically exhausted. The same causes have produced a larger consumption of oats and hay than usual, which, taken with the large increase in our live stock, accounts for so little of our last enormous feed crops coming in sight.

Cotton was bulled for more than it was worth when "Gladstone's peace was declared," for Ellison's report came on its heels, announcing that the consumption in Europe had been considerably less for two years than his estimates had shown, which left a larger stock on hand than had been estimated, and hence less to draw from here before next crop for English specimens. Meantime the late season has been otherwise favorable to the new crop, and it now promises a full average.

Coffee has had a little bull stimulus in lighter receipts at Rio and Santos and better demand at home. But the next crop promises equal to last or better.

Petroleum has been lifeless at about 80 cents for crude, with production about equal to exports, and no speculative life in the market except in sympathy with stocks, with which it moves since the consolidation of the two exchanges.

The reports of the New York Clearing-house returns compare as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.	Surplus.
May 2...	\$ 296,616,400	\$ 111,484,200	\$ 33,243,800	\$ 358,349,400	\$ 10,814,800	\$ 55,140,650
" 9...	299,100,800	113,037,000	32,740,900	361,908,700	10,797,500	55,300,725
" 16...	298,748,900	113,641,200	35,017,800	364,971,800	10,529,100	57,416,050
" 23...	296,000,200	114,607,200	36,024,100	363,276,900	10,430,200	59,812,075
" 29...	293,146,200	114,501,500	36,638,400	361,483,900	10,364,100	60,768,925

The Boston bank statement is as follows:

1885.	Loans.	Specie.	Legal Tenders.	Deposits.	Circulation.
May 2.....	\$ 144,858,300	\$ 8,529,800	\$ 4,434,400	\$ 101,892,600	\$ 22,514,100
" 9.....	144,532,900	8,514,900	4,215,600	102,799,500	22,238,100
" 16.....	144,496,200	8,498,900	4,079,400	104,234,700	22,283,100
" 23.....	144,362,700	8,487,800	4,321,700	104,570,300	22,270,300

The Clearing-house exhibit of the Philadelphia banks is as annexed:

1885.	Loans.	Reserves.	Deposits.	Circulation.
May 2.....	\$74,267,010	.... \$25,889,969	.... \$74,052,320	.... \$7,664,081
" 9.....	74,079,191	.... 26,621,227	.... 74,455,664	.... 7,667,337
" 16.....	74,651,485	.... 27,040,753	.... 77,004,215	.... 7,661,741
" 23.....	74,941,896	.... 26,695,389	.... 77,155,756	.... 7,608,363

Our usual quotations for stocks and bonds will be found elsewhere. The rates for money have been as follows:

QUOTATIONS:	May 4.	May 11.	May 18.	May 25.
Discounts.....	3½@4	.. 3½@4	.. 3½@4	.. 3½@4
Call Loans.....	1½	.. 1½	.. 1½@1	.. 1½
Treasury balances, coin.	\$138,771,364	.. \$138,617,918	.. \$138,431,752	.. \$144,458,307
Do. do. cur.	\$23,778,602	.. \$23,806,642	.. \$24,398,704	.. \$25,130,986

Sterling exchange has ranged during May at from 4.87½@4.89 for bankers' sight, and from 4.85½@4.87 for 60 days. Paris—Francs, 519¾@515¾ for sight, and 521¼@518¾ for 60 days. The closing rates of the month were as follows: Bankers' sterling, 60 days, 4.85¾@4.86¼; bankers' sterling, sight, 4.87½@4.88. Cable transfers, 4.88¼@4.88½. Paris—Bankers', 60 days, 518¾@518¾; sight, 516¼@515¾. Antwerp—Commercial, 60 days, 520¾@520. Reichmarks (4)—bankers' 60 days, 95@95½; sight, 95½@95¼. Guilders—bankers', 60 days, 40¾@40½; sight, 40¾@40¼.

## DEATHS.

**ALDERFER.**—On May 13, aged thirty-two years, MICHAEL ALDERFER, President of the Perkiomen National Bank, East Greenville, Pa.

**BASSETT.**—On May 25, aged fifty-two years, JEFFERSON BASSETT, of the firm Bassett & Bassett, Brenham, Tex.

**EAKIN.**—On April 26, aged forty-two years, C. M. EAKIN, President of the Salem National Banking Co., Salem, N. J.

**JOHNSON.**—On April 22, aged seventy-three years, J. B. JOHNSON, President of the National Exchange Bank, Seneca Falls, N. Y.

**LELAND.**—On May 15, aged seventy-nine years, FRANCIS LELAND, President of the New York County National Bank, New York City.

**LUCKIE.**—On April 23, aged forty-two years, W. D. LUCKIE, Cashier of the Merchants' Bank, Atlanta, Ga.

**MAXWELL.**—On May 21, JAMES MAXWELL, President of the National Bank of W. Va., Wheeling, W. Va.

**MORE.**—On May 2, aged forty-six years, L. R. MORE, President of the Kearney National Bank, Kearney, Neb.

**SHERMAN.**—On May 2, aged seventy-five years, BENJAMIN B. SHERMAN, formerly President of the Merchants' National Bank, New York City.

**WILLIAM.**—On May 19, aged fifty-three years, WILLIAM L. WILLIAM, of the firm of J. W. Casselberry & Co., Pottstown, Pa.



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